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NEWS SUMMARY

GENERAL

Outrage over mission deaths

Rhodesian Church and political *leaders have reacted angrily* to the killing of 12 British missionary families near the eastern border with Mozambique.

The 12 dead were hacked and battered to death with axes, logs, bayonets and clubs. The military command said Zimbabwe African National Liberation Army guerrillas were responsible.

The Right Rev Paul Burrough, Anglican Bishop of Mashonaland, said Britain should revert to gunboat diplomacy and send in troops to deal with those responsible for the mission massacre. Page 2

Argentina win

Argentina beat Holland 3-1 with two goals in extra time to win the World Cup final. Feature, Page 8

Murder hunt

Rival gangs of white and Asian youths clashed in London's East End yesterday, soon after a Bengali man died in hospital after being attacked. The Murder Squad is searching for three white youths.

Peace efforts

Egypt and the U.S. are collaborating closely in efforts to persuade Israel to take a more flexible approach to peace negotiations. Meanwhile, the Israeli Cabinet has rejected outright Egyptian proposals calling for immediate withdrawal of Israeli troops from the West Bank and Gaza Strip. Page 2

Assassin suspect

The assassination of North Yemeni President Ahmed Hussein al-Gashmi is believed to have been masterminded by Lt.-Col. Abdullah Abdel Aalem, who escaped to Aden about four weeks ago after his insurrection in the Tiaz area was crushed. Page 2

Officials killed

Nine Indonesian officials preparing for a meeting in Bali between President Suharto and Singapore's Prime Minister Lee Kuan Yew were killed when their helicopter crashed shortly after taking off from Bedugal airstrip.

Victor's legacy

Victor, the giraffe who died after doing the splits while mating, has left behind a daughter. The baby giraffe, Victoria, was born at Markwell Park zoo at the weekend.

Improper pasties

Cornish pasties from Devonshire are not all they should be. The Devonshire trading standards officer says that almost 60 per cent of the county's pasties contained less than the regulation minimum amount of meat.

Briefly . . .

A major oil well fire in Kuwait's Majro field is not expected to affect exports or crude oil production.

Afghanistan's new regime has released about 1,000 political prisoners.

Filipino police and soldiers found carrying firearms off duty will be liable to death by firing squad.

Weekly £50,000 Premium Bond prize won by bond 5DB 989701. Winner lives in Dundee.

Italian Communist Party says it would prefer a man outside the ranks of the ruling Christian Democrats as the country's new president.

An Ulster Defence Regiment private was killed in an explosion while on duty in Co. Fermanagh.

Britons travelling to Europe in minibuses have been warned that they may be turned back if their vehicles are not fitted with tachographs.

BUSINESS

Managers' buying power 'falls'

● **SALARIES** of Britain's executives have a lower purchasing power than almost all their colleagues in other industrial countries and it is getting worse, a survey by Employment Conditions Abroad, published today, says. **Back Page**

● **OVERTIME** in manufacturing industry is at the highest level *since summer 1974 because of* the recent upturn in economic activity. **Back Page**

● **RENEWED** upsurge in bank lending to the UK private sector is confirmed today by the latest breakdown published by the Bank of England. **Back page and Lex**

U.S. interest rate 'rise'

● **FURTHER** increases in short-term interest rates in the U.S., including a possible rise to 9 per cent in commercial prime lending rates *this week, are being* predicted on Wall Street. **Back Page**

● **LIKELY** help that the UK economy will receive from offshore oil and gas production this year has been further downgraded in a report published today. **Back page**

● ***INDUSTRY*** paid 37 per cent more in real terms for every tonne of freight moved by road in 1976 than it did a decade earlier. Transport 2000, a pressure group, said. **Page 37**

LABOUR

● **PRODUCTION** at Langwith colliery, *Derbyshire, where 700 men work, is to stop on July 28* because coal has run out. There will be no redundancies.

● **WORKERS** would expect similar increases if the Government implements the 70 per cent pay rises for nationalised industry chairmen proposed by the Boyle review on top *salaries, union* leaders said. **Page 4**

● **SHOP** stewards at Westland Aircraft's helicopter plant, Yeovil, plan to meet this morning to discuss the company's warning that it plans to dismiss workers. **Page 4**

● **BRITISH LEYLAND** has put an incentive scheme to unions in a move to raise flagging output. **Page 4**

Warning on inflation

● **SLIGHT** acceleration in the rate of price inflation back into double figures during the first half of next year is forecast today. **Page 4**

● **BEER** drinkers in Britain downed 112m fewer pints last year than in 1976 — the first annual fall since 1958. **Page 3**

● **FISHING** agreement in Europe could come before the end of the year if other countries realised it did not matter whether there was an election or not, Mr. John Silkin, Agriculture Minister, said.

Liquor company to sack 100

● **AUGUSTUS BARNETT**, cut-price liquor concern, is to undertake restructuring involving the loss of about 100 jobs. **Page 4**

● **PAN AMERICAN** expressed dissatisfaction with price-fixing arrangements of the International Air Transport Association. **Page 2**

● **THREE-MILLIONTH** Ford car built at Halewood, Merseyside, will roll off the production lines tomorrow.

● **NORCROS** profit to March 31 was a record £14.5m (£12m). **Page 36**

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FEATURES

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Shipbuilding crisis costs taxpayers more than £100m

BY IAN HARGREAVES, SHIPPING CORRESPONDENT

British Shipbuilders cost the taxpayer more than £100m in its first nine months of existence, according to internal, unaudited figures considered by the corporation's Board at the end of last week.

At the same time, the Government is considering a novel plan to finance the building of warships almost on a "building for stock" principle. This could require an initial commitment of about £50m.

The losses relate to the nine months from July 1, 1977. They indicate the financial problem the Government faces in steering the industry through one of the deepest recessions it has known.

Actual losses for the nine-month period are believed to be more than £45m., although the debt inherited from the corporation's member companies is still being assessed and the eventual loss could be much higher.

In addition to straightforward losses, which will presumably be written off by the Government, the shipyards benefited last year from the £65m Shipbuilding Intervention Fund, which provided a straight subsidy on most of the orders booked in that period.

Precisely what proportion of the £65m relates to the first nine-month period is unknown, but it would certainly be the lion's share.

The Government's first problem in responding to the corporation's deep-seated difficulties is to set a target on performance for the financial year April 1978 to April 1979.

Under the terms of the nationalisation Act, this has to be set within a year of vesting day, which means by Saturday.

After being submitted to British Shipbuilders, the target must be disclosed to Parliament.

Under the terms of the Act, the target must result in an adequate return on the capital employed by the corporation, but there is now no realistic possibility of British Shipbuilders breaking even in the current financial year.

An added difficulty is the confusion caused by the EEC's resistance to the UK's application for an £80m successor to the current intervention fund. Some form of words will have to be found to circumvent this and a number of other uncertainties.

Out of work

The Government faces a long and costly haul in pulling British Shipbuilders back into the black. According to the corporation's 1977 review of affairs published at the turn of the year, its member companies made a pre-tax profit of £2.9m on a turnover of £713m in the year to March 31, 1977.

At the end of March, the corporation had a merchant ship order book of 1.5m gross tons—equivalent to just over one year's output—but many yards will run out of work before this.

One of many measures being considered to keep shipyards in work during the crisis is to bring forward the Royal Navy's building programme.

However, a variation of this is now under negotiation between the corporation the Department of Industry and the Defence Ministry. Ships would be built up to destroyer size ostensibly for the Royal Navy but during construction efforts would be made to find overseas buyers.

This system is successfully employed by the Italian Government, but Defence officials have made it clear that such a programme would require funds outside the existing Defence vote.

With the going price of a Type 42 Frigate about £50m. the plan would involve a large slice of risk capital, but its advocates say that the long building periods required give a great deal of flexibility about completion dates, as well as ultimate ownership.

One snag is that the Royal Navy's requirements are not necessarily in line with vessel types providing the best export possibilities.

This is particularly true of fast, offshore and fishery protection patrol vessels and the Navy has been under pressure for some time to adopt a faster, more versatile design in this class to enable the British shipbuilding industry to market an off-the-peg vessel for all its customers.

If the stockpiling scheme is accepted, the first stage is likely to be to place contracts for such a patrol vessel or vessels.

Brezhnev warns U.S. over closer links with China

BY OUR OWN CORRESPONDENT MOSCOW, June 25.

PRESIDENT BREZHNEV of the Soviet Union today reiterated his Government's warning to the U.S. against seeking close, formal ties with China.

In a speech today in the Byelorussian capital of Minsk, Mr. Brezhnev said: "Attempts are being made largely in the U.S. at a high level and in a rather cynical form, to play the 'Chinese card' against the Soviet Union.

"This is a short-sighted and dangerous policy. Its architects may bitterly regret it."

The Soviet leadership has been alarmed and angered by the trip last month to Peking by Dr. Zbigniew Brzezinski, National Security Adviser to President Carter.

Mr. Brzezinski, who has been sharply criticised by the Kremlin in recent weeks as a "cold war warrior," has talked candidly about how he believes the U.S. hand in dealing with the Kremlin would be strengthened if Washington had formal diplomatic relations with Peking.

In spite of the warning in the speech, Mr. Brezhnev's general tone in his address was noticeably more moderate than recent Kremlin pronouncements on relations with the U.S. Mr. Brezhnev devoted much of his remarks to discussing recent Soviet proposals for reducing its conventional forces in Europe.

Jurek Martin writes from Washington: Mr. Brezhnev's speech is seen here as a clear response to the Carter administration's equally clear intention to get the process of normalising relations with China moving again after several years of stagnation.

It is also being interpreted as another attempt personally to discredit Dr. Brzezinski.

The New York Times reported today that the Administration had taken the basic policy decision to improve relations with China before Dr. Brzezinski went to Peking and that this was communicated to the Chinese leadership.

The establishment of full diplomatic relations with Peking, which would presumably mean the end of U.S. political and defence arrangements with Taiwan, is still clearly some way off.

Such a step, which is fraught with domestic political problems, is unlikely to be made until next year at the earliest and might well be delayed until a second term for Mr. Carter, if he is re-elected.

The U.S. has told Peking that it will not object, as it had done hitherto, to Chinese purchases of defensive military equipment from Western European countries and to its acquisition of American, Western European or Japanese sophisticated technology.

In a speech in Hawaii 10 days ago, Mr. Richard Holbrooke, Assistant Secretary of State for East Asian and Pacific Affairs, who accompanied Dr. Brzezinski to Peking, stated that although important differences remained with Peking, the current strategic balance in the region between the U.S., the Soviet Union, China and Japan "is clearly in our nation's interest."

The U.S. has long been attracted to the Japanese solution to the Taiwan problem—which involves the continuance *of extensive trade and commercial* relations but not at Government level.

More immediately, Dr. Brzezinski has appeared to use "the China card" as a way of exerting pressure to curb Soviet activities in Africa.

In the past week, however, the U.S. has appeared more intent on cooling off the recent war of words with the Soviet Union, a development which is seen here as a reassertion of the influence on policy-making of Mr. Cyrus Vance, Secretary of State.

Changes at Shell UK to ease burden on CBI president

BY RAY DAFTER, ENERGY CORRESPONDENT

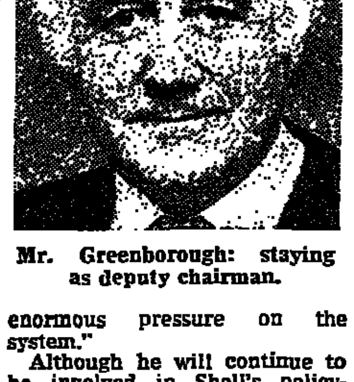
THE ROYAL Dutch/Shell group has made top-level management changes in the Shell UK company to allow Mr. John Greenborough, its chief executive, more time for his work as president of the Confederation of British Industry.

Mr. Greenborough will continue to be a deputy chairman of Shell UK but his position as chief executive will be taken by Mr. John Raisman, at present a managing director with responsibility for the company's supply, refining and marketing activities.

In other changes, that will also take effect on Saturday, Mr. Raisman will become a deputy chairman and will succeed Mr. Greenborough as Shell International Petroleum's regional co-ordinator for the UK and Ireland. Mr. Desmond Watkins, formerly president of Shell in Venezuela, will take Mr. Raisman's position as managing director.

The management reshuffle was foreshadowed by Mr. Greenborough in May last year when, after consultation with the Royal Dutch/Shell group's board, he accepted the position as CBI's deputy president. For the past six months he has combined his role as CBI president with that as head of a company with a £2.4bn turnover.

"You cannot effectively do justice to two jobs," he said at the weekend. "It has been an



Mr. Greenborough: staying as deputy chairman.

enormous pressure on the system."

Although he will continue to be involved in Shell's policy-making he is cutting himself off entirely from day-to-day management in the company.

"I expect to spend 80 per cent of my time working for the CBI," he said. "It is a very demanding role, no matter how good the director-general is."

Mr. Greenborough saw four issues dominating his next two presidential years: the future of pay determination—"a vital part of our social infrastructure"; growing industrial democracy: adapting to a possible changed political climate—"and that might happen irrespective of who wins the next election"; and giving the CBI a greater representation in Europe.

At Shell, Mr. Raisman has the task of completing the company's recovery towards profitability. Last year Shell UK lost £11.3m as against a deficit of £32m in 1976. The enforced closure of a North Sea production platform last year, heavy investment associated with offshore development, and weak trading conditions in the UK were blamed for the loss.

Mr. Raisman, who was born in India in 1929, joined Shell in 1953. He has held marketing and executive positions in Brazil, Central America, Turkey, Holland and Japan. From 1970 to 1974 he was president of Shell Sekiyu KK before returning to Holland to become head of European trading and marketing. He was appointed a managing director of Shell UK in July last year.

Mr. Greenborough's plans, once his term as CBI president expires in 1980, are not known. He will be 56 next week and he is already eligible for retirement from Shell as a result of his long overseas service.

Men and Matters Page 10

Premier continues U.S. air talks

By Jurek Martin, U.S. Editor

WASHINGTON, June 25.

MR. JAMES CALLAGHAN continued here today to probe both potential American manufacturers of and customers for the new generation of commercial aircraft.

Immediately after his arrival here yesterday afternoon, Mr. Callaghan met Mr. Frank Borman, the former astronaut who now heads Eastern Airlines, which has contracted to fly the European Airbus.

This morning, he met Mr. Thornton Wilson and Mr. Tex Bouillon of Boeing, which has proposed a joint venture with the UK which would guarantee the future of the Rolls-Royce RB211-535 engine in a *new* Boeing 757 jetliner.

This evening he is to dine at the British embassy with Mr. Sanford McDonnell and Mr. Robert Jackson of McDonnell-Douglas, whose own Advanced Technological Medium Range Transport is still on the drawing board but which is interested in *European co-operation.*

Mr. Tom McCaffrey, the Prime Minister's Press secretary, declined today to disclose details of the discussions to date. He said they had been "frank" but were part of the longer term consultative process in which Mr. Callaghan is taking a personal interest because of the great implications for the future of the British aerospace industry.

Future

He said that discussions would be continuing with Chancellor Schmidt of West Germany and President Giscard d'Estaing of *France at the European summit* meeting in Bremen next month.

The German Government, in particular has made no bones of its belief that the entire future of the European aerospace industry would be jeopardised if the UK were to co-operate with Boeing and that even British industry would find itself in little more than a minor sub-contractor status, in spite of the use of Rolls-Royce engines, in any venture with a giant such as Boeing.

However, the European alternative to the Boeing connection—the 300 B10 version of the Airbus—would, it is generally agreed, leave no role for a British engine manufacturer.

McDonnell Douglas, which produces far fewer commercial aircraft than Boeing and which believes it would be more of an equal partner than its U.S. rival, is seeking to provide a middle of the road compromise solution to both the British and the European dilemma.

Mr. Callaghan is due to have *breakfast tomorrow morning* with President Carter. According to Mr. McCaffrey, the two leaders will be discussing the forthcoming economic summit in Bonn next month, the general state of East-West relations, and Africa.

Renegotiation of tax treaty now likely

BY MICHAEL LAFFERTY IN LONDON AND JUREK MARTIN IN WASHINGTON

THE Anglo-American double tax treaty will probably have to be renegotiated if, as expected, the U.S. Senate moves to approve the pact tomorrow after deletion of its most controversial clause.

This is clause 9.4, which would exempt British companies from the unitary tax legislation operated by several U.S. states—notably California.

The Senate voted on Friday not to ratify the treaty. However, after the U.S. Treasury informed Capitol Hill that the Administration was prepared to accept *deletion of the offending clause,* the Senate voted to reconsider the treaty.

In London, Treasury officials have indicated that there has been no deal with the Americans over accepting deletion of clause 9.4. Officially Britain is still hoping that the treaty will be approved in full.

Nor did there appear to be any intention that Mr. James Callaghan should raise the matter during his present visit to the U.S.

The likelihood that U.S. states will be able to continue levying unitary taxation on British companies—in effect taxing a proportion of their worldwide income—drew an angry statement from the Confederation of British Industry.

"As far as British industry is concerned, clause 9.4 is critical *to the treaty. If the treaty goes* through without this provision it would be a severe blow to UK companies operating in the U.S.", the confederation said.

British industry would then press for renegotiation. "We shall be keeping a very close watch on the situation."

New York move on insurance exchange

BY DAVID LASCELLES NEW YORK, June 25.

NEW YORK state assembly has overwhelmingly approved changes in legislation enabling an insurance exchange similar to Lloyd's of London to be established in New York city. Barring unforeseen difficulties the exchange should begin business next spring.

The next step will be to draw up a charter for the exchange for approval by the state authorities.

There should be few problems over this, though, since the scheme has the strong backing of both Governor Hugh Carey and Mr. Albert Lewis, the state superintendant of insurance.

It has also been widely welcomed by the insurance industry, in spite of *some reservations* over details.

Compromise

The exchange, which is closely modelled on Lloyd's, will comprise *syndicates of* both brokers and underwriters. It will deal primarily in reinsurance, foreign risks and hard-to-place risks of the kind which now find their way to Lloyd's.

Initial capitalisation will total at least $60m—with probably 20 syndicates putting up $3m each —permitting an annual underwriting turnover of up to $200m.

Although this is a minute sum compared with the industry's total turnover, the scheme's backers expect it to grow fast as the exchange finds its feet.

The state assembly has also approved a Bill to establish an insurance-free trade zone for the city, where underwriters will be able to write large and complicated risks, free from the control of the state's tight insurance laws.

Both innovations are primarily aimed at reviving New York's ailing insurance industry, which has lost a considerable amount of capital and business in recent years due, many people claim, to the state's over-zealous supervision.

It is hoped that the new schemes will encourage companies to return to the city.

Some sectors of the insurance world, principally the brokers, are also keen to bring to *New* York some of the business which they believe is enjoyed unfairly by Lloyd's. They argue that although possibly half the world's insurance business is generated by the U.S., only a fraction of it is handled in the country.

John Moore writes: Lloyd's of *London's U.S. attorney,* Leboeuf Lamb Leiby and Macrae, is watching the progress of New York's *insurance* legislation closely.

Although Lloyd's is still claiming publicly that there is insufficient information for it to form a view, privately it is disconcerted by the latest development.

So far it has said that the reason given for New York's move — to create more jobs — "is not a good and sufficient reason for establishing an insurance market closely modelled on Lloyd's."

OVERSEAS NEWS

Rhodesian anger over mission killings

By Our Own Correspondent

SALISBURY, June 25

RHODESIAN political and Church leaders have reacted with shock and anger at the killing of 12 British missionary families at a remote mission station near the country's eastern border with Mozambique.

The military command and black staff and pupils at the mission said that Zimbabwe African National Liberation Army guerrillas were responsible. The army supports Mr. Robert Mugabe, co-leader with Mr. Joshua Nkomo, of the Patriotic Front.

The dead included three men, four women and five children who were hacked and battered to death with axes, bayonets, clubs and logs.

Bishop Abel Muzorewa, the current chairman of Rhodesia's ruling Executive Council, said atrocities against children and defenceless people, whether they were black or white, should be deplored. "I believe this kind of thing goes on all the time, except it seems to be more news if it is white people. As far as I am concerned there is no part in the war for the killing of children, black or white."

Chief Jeremiah Chirau, another Executive Council member, described the killings as the tragic activity of cowards and criminals. He said such incidents would only serve to strengthen the resolve of the country to defeat those bent on violence.

The Right Rev Paul Burrough, Anglican Bishop of Mashonaland, said Britain should revert to gunboat diplomacy and send in troops to deal with those responsible for the mission massacre. As a human being, he had a deep wish for Britain to assert herself especially where British nationals were concerned.

Mr. John Deary, chairman of the Roman Catholic Justice and Peace Commission, said such acts of brutality were past explanation and understanding.

Reuter reports from Maputo: Mr. Mugabe denied today that his men killed the 12 Britains and said the Salisbury Government was responsible. A statement issued by Mr. Mugabe's Zimbabwe African National Union (ZANU) said the missionaries and their families were murdered to divert world attention from a barbarous Rhodesian raid into Mozambique last week in which 17 black refugees and two Belgians were killed.

New U.S.-Egypt effort to press Israel on talks

BY ROGER MATTHEWS

CAIRO, June 25.

EGYPT AND the U.S. are collaborating, perhaps more closely than ever before, in an effort to persuade Israel to adopt a more flexible approach towards Middle East peace negotiations.

After a meeting this weekend between President Anwar Sadat and Mr. Hermann Eilts, the U.S. ambassador, it was announced that within the next two days Egypt would have completed a detailed plan under which the occupied West Bank would return to Jordanian sovereignty and the Gaza Strip to Egypt.

At the same time President Sadat formally rejected the Israeli replies to two questions on the future of the occupied territories that had been submitted by the U.S.

Although senior Egyptian officials have accepted for some time that real progress towards a Middle East settlement cannot be made while Mr. Menahem Begin remains prime minister of Israel, they are fully prepared to fall in with American ideas for maintaining pressure on the apparently fragile unity of the Israeli cabinet.

For this reason Mr. Sadat and the foreign minister, Mr. Mohammed Ibrahim Kamel, will not rule out the possibility of a meeting between Egyptian and Israeli envoys in Europe next month.

Egyptian officials even refuse to deny that the meeting may take place between Mr. Kamel, Mr. Moshe Dayan, the Israeli foreign minister, and Mr. Cyrus Vance, the U.S. Secretary of State, in London on July 9.

However, officials here are equally confident that Mr. Sadat's proposals for an interim solution to the West Bank and Gaza will be rejected by the Israelis.

In a move apparently unrelated to either the overall Middle East situation or to President Sadat's domestic difficulties, the commanders of Egypt's second and third armies have been replaced. General Youssef Afifi takes over the third army from General Ahmed Badawi, who becomes head of army training and organisation, while General Abu-Rahmabi Hafez assumes command of the second army in place of General Fouad Aziz Ghaly who takes the post of director of administration.

L. Daniel writes from Tel Aviv: The Israel Cabinet today rejected outright the latest Egyptian proposals, as published in the Egyptian newspaper Al Ahram and broadcast over Cairo Radio, which called for an immediate withdrawal of Israeli forces from the West Bank and the Gaza Strip and the start of negotiations, taking into account Israel's security requirements, only after such withdrawal has been effected. This is seen to represent a considerable hardening of the original Egyptian stand.

Zambia looking for $1bn more in aid

BY MICHAEL HOLMAN

LUSAKA, June 25.

ZAMBIAN SENIOR officials and some 20 donor countries and international organisations begin a three-day meeting on Tuesday to discuss further aid to Zambia's hard-pressed economy.

The meeting, to be chaired by World Bank Vice President Mr. W. Wapenhans, represents the next stage of a large Western-backed rescue operation which began in March with an International Monetary Fund credit of $390m over two years.

Last month President Kenneth Kaunda returned from London and Washington with pledges of £15m from Britain (in addition to the existing £17m programme for 1978-79) and $100m from the U.S. over three years. A further $80m from West Germany awaits ratification.

After this week's meeting, at which the Zambian delegation will be led by the Minister of Finance, Mr. John Mwanakatwe, further meetings are likely in order to review progress and assess aid allocations once Zambia's third national development plan is published later this year.

There is no official aid target but privately Zambian officials hope that the Paris meeting will help push the total, including the IMF credit, to between $800m and $1,000m.

Zambia's traditional aid donors, including Britain, the U.S., Canada, and members of the European Community, will attend, as well as Japan and Saudi Arabia.

Zambian officials say that they wish to avoid re-scheduling or deferment of the country's external debts, totalling some $1.2bn, although diplomatic sources say that tentative approaches were made earlier this year to both the British and U.S. Governments.

Negotiations for a substantial Saudi Arabian loan to Zambia have reached an advanced stage, according to informed sources in Lusaka, our correspondent writes. If concluded, it would be Saudi Arabia's first bilateral aid venture in Southern and Central Africa and is seen by diplomatic sources as an indication of growing Saudi concern about political developments in the region.

Earlier this month, the country opened a mission in Lusaka, following a visit to Jeddah in May by the Zambian Foreign Minister, Dr. Siteke Mwale.

Recall of DC-8 jets confirmed

By Jurek Martin

WASHINGTON, June 25.

THE U.S. Federal Aviation Authority (FAA) confirmed here today that 161 Super DC-8 jetliners, manufactured by McDonnell Douglas between 1966 and 1972, would be subject to a special inspection because of suspected metal fatigue in the main wing-span.

The official said that the FAA's western regional headquarters had recently issued the so-called "mandatory airworthiness directive" which requires the manufacturer to ground the aircraft for inspection and, if necessary, repairs. This will be done progressively, with each airliner being grounded during the course of its next 300 to 2,000 flying hours, depending on its age.

The FAA spokesman stressed that the directive "sounds worse than it actually is," and not uncommon in aircraft which have logged considerable flying time. Passengers flying in Super DC-8s—of the 62-63 series—were in no danger, he said, while the wing on the aircraft was constructed in such a fashion that strengthening could, if necessary, be easily affected.

As the inspection and overhaul will be conducted over a period of time, no disruptions to airline schedules are envisaged.

Lisbon-Angola co-operation pact expected

By Jimmy Burns

LISBON, June 25

PRESIDENTS Ramalho Eanes of Portugal and Agostinho Neto of Angola are expected to sign a treaty of co-operation and friendship tomorrow, at the end of a three-day meeting in Bissao, capital of Guinea-Bissao.

The treaty will pave the way for increased trade and will pledge future co-operation between the two countries in the technical, scientific and cultural fields.

According to sources close to the talks, the two Presidents have also reached agreement making possible the return to Angola of a number of Portuguese skilled workers who left Africa after Portugal's military withdrawal.

There has been discussion here about the extent to which the U.S. Administration briefed President Eanes before the Bissao talks. Increased co-operation between Portugal and Angola would appear to fall within the context of the positive approach to Africa underlined by Mr. Cyrus Vance, U.S. Secretary of State, last week.

It was confirmed yesterday that before leaving for Bissao, President Eanes received Mr. Richard Bloomfield the U.S. ambassador to Portugal.

Bonn and Paris preparing joint policy on 'snake'

BY ADRIAN DICKS

BONN, June 25.

WEST GERMAN and French views on widening the zone of currency stability in Europe are close enough for the two countries to be preparing joint proposals to lay before the European Community summit in Bremen on July 6, the German Press reported this week-end.

Agreement in principle on several features of the enlarged "snake" were reported to have been reached on Friday, when President Giscard d'Estaing paid a brief visit to Chancellor Helmut Schmidt in Hamburg.

Although details of the two leadres' talks have not been published, they are understood to have discussed the possible role of a joint European intervention fund to support the working of the "snake."

German officials also stress, however, the importance of a strengthened snake in bringing greater stability to the U.S. dollar, which goes some way towards acknowledging reservations felt in Whitehall about any fresh European initiative, over monetary matters that might be construed as confrontation by the U.S.

The Hamburg talks, with which the French President was reported to be very satisfied, appear to have brought the French and German Heads of Government even closer. German ministers openly express admiration for the economic reform programme for M. Raymond Barre, the French Prime Minister, while he went out of his way last week to express sympathy over difficulties in the way of German economic policy.

IATA pricing under fire from Pan Am chief

By Stewart Fleming

NEW YORK, June 25.

WITH A critical meeting of the executive and general assembly of the International Air Transport Association due on Friday, Pan American World Airways has again expressed dissatisfaction with the international agency's price-fixing arrangements.

An airline spokesman today dismissed suggestions that the company had decided to quit IATA but he made clear that Pan Am had strong reservations about the pricing aspect of IATA's operations.

The reservations were voiced at the weekend by Pan Am's president, Mr. William Seawell. Mr. Seawell said his company might quit IATA unless its fare-fixing agreements were restructured.

Officer 'behind N. Yemen killing'

BY IHSAN HIJAZI

BEIRUT, June 25.

AN ESCAPED army officer is believed by informed diplomatic sources here to be the mastermind of the assassination in Sanaa yesterday of the North Yemeni President Lt.-Col. Ahmad Hussain al-Ghasmi.

The sources identified the officer as Lt.-Col. Abdullah Abdul al-Aalem, who escaped to Aden some four weeks ago after his insurrection in the Taiz area in the southern part of the country was crushed by forces loyal to al-Ghasmi.

The Government in Aden has issued a strong denial of the Sanaa claim that it was behind al-Ghasmi's assassination. An announcement on Aden radio said the South Yemeni regime had nothing whatsoever to do with the affair.

The Sanaa authorities yesterday charged that the regime of President Salim Robaya Ali in Aden was responsible for the murder. According to this account, al-Ghasmi was killed when he received a special envoy of President Salim Robaya Ali who was carrying a booby-trapped briefcase which exploded when he opened it, killing both men.

President al-Ghasmi's assassination came only two months after his hand-picked constituent assembly elected him President and eight months after his predecessor, President Ibrahim al-Hamdi, was murdered in mysterious circumstances.

In the wake of al-Hamdi's assassination, al-Ghasmi headed a three-man Presidential Council which also included Lt.-Col. al-Aalem, then commander of the parachute corps, and Prime Minister Abdel Aziz Abdel Ghani.

Soviet Union shifts position over Cyprus

ANKARA, June 25.

IN AN apparent shift in policy on Cyprus the Soviet Union today backed Turkey's position that the island's problems should be solved through talks between the two communities there.

A joint communique issued at the end of a four-day official visit to the Soviet Union by the Turkish Premier, Mr. Bulent Ecevit, said the two sides agreed the difficulties should be approached through positive and constructive talks between the Turkish-Cypriot and Greek Cypriot communities."

The Soviet Union has previously called for an international conference on the question of Cyprus, which was invaded by Turkish troops in 1974. The communique suggested a shift towards the position of Turkey, which has been urging a resumption of long-stalled intercommunal talks on the basis of recent constitutional and territorial proposals prepared by the Turkish side. Reuter.

Editorial comment, Page 10

An interest in instability

BY DONNA THOMAS, RECENTLY IN SANAA

"NORTH YEMEN will never be allowed to develop because other powers have a vested interest in our instability," was the prophetic and bitter comment of a senior civil servant in Sanaa last week. Saturday's assassination of President Ahmad Husain al-Ghasmi, only months after the assassination of President Ibrahim al-Hamdi, was a strong possibility—an abortive attack on al-Ghasmi's life was made only a couple of weeks after he took power in October last year.

The powers to whom the Yemeni civil servant was referring are the Yemen Arab Republic's immediate neighbours, the wealthy right-wing kingdom of Saudi Arabia to the north and the impoverished but highly politicised Communist People's Democratic Republic of the Yeman to the south. What each fears is the possibility of the Yemen Arab Republic (YAR), with its 6m people, swinging decisively in favour of the other.

Around a million expatriate North Yemenis live and work in Saudi Arabia. They travel frequently between the two countries and could easily become a fifth column for any strong, leftward Yemeni government that wished to disrupt the kingdom.

Hence Saudi Arabia's aggressive comments on Ghasmi's assassination and the belief in the Arab world that the kingdom at least tacitly approved, if it did not actually assist, the removal of al-Hamdi not so long after talk of closer co-operation between the two Yemens. It is also thought in Sanaa that Lt.-Col. Abdullah Abdul al Aalem, who fled to Aden last month, was virtually forced out at Saudi's insistence.

President al-Ghasmi's death comes as the business community is recovering its confidence after the assassination of al-Hamdi, who had been in favour of encouraging the commercial sector and outside investment in the Yemeni economy. Al-Hamdi was relying extensively on the private sector for the implementation of North Yemen's ambitious five-year plan, presented in November last year.

The plan proposed an investment of $3.6bn, with the public sector undertaking about 40 per cent of the proposed projects, with finance principally from Saudi Arabia and Kuwait. The private sector's investment would be funded by the $1.2bn-worth of annual remittances flowing into North Yemen from the expatriate workers in Saudi Arabia.

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WORLD TRADE NEWS

Holland favours aircraft co-operation with France

BY CHARLES BATCHELOR IN AMSTERDAM

AMSTERDAM, June 25.

HOLLAND is in favour of closer links between the Dutch and French aircraft industries, according to the Economics Minister Mr. Gijs Van Aardenne.

The French view Dutch participation in the development of the Airbus B-10 project as essential if France is to join with the Dutch aircraft manufacturer Fokker in producing the Super F-28 short-haul jet, he said in a note to the standing Parliamentary committee on economic affairs.

The failure of the VFW-614 short-range jet liner project, which was being carried out at Fokker's Bremen factory, and the German Government's plans to merge the German side of Fokker with Messerschmitt-Boelkow-Blohm have brought into question the Dutch aircraft industry's links with Germany.

But the Dutch Government sees closer links with France as complementing the co-operation with Germany rather than as an alternative, the Economics Ministry said.

France is willing to take a risk-bearing share in the development of the Super F-28 and has an engine, the CFM-56, which could be modified to go in the new aircraft, Mr. Van Aardenne said.

If British Aerospace were to put the HS 146 into production this would be a potential competitor for the Super F-28's market. Development of the HS-146 would run counter to European aircraft development thinking, he said.

The Parliamentary committee will next week discuss the Minister's note and a decision on the Airbus B-10 by the Government is expected shortly.

A Fokker spokesman said the company welcomed the clear indication from the Minister that the Government would support Fokker's participation in the B-10. Government assistance will be needed with the expected participation costs of Fl 100m ($45m).

Fokker supplies the moveable wing parts for the present Airbus generation and has already done much development work on the shorter wing required for the B-10.

Fokker would be quite happy for more partners in the Super F-28 project. The present F-28, which is a smaller aircraft, involves Holland, Germany and the UK.

But while it is true that Fokker is looking for an engine for the new aircraft at present, its thinking is more on the lines of a Rolls-Royce engine, or of a joint Rolls-Royce-Japanese engine.

Rolls-Royce already has an engine on paper but has recently begun preparing a new design together with Ishikawajima-Harima Heavy Industries of Japan at Fokker's suggestion.

Lower beer imports for third year running

By John Moore

LESS than one in 25 pints of beer drunk in the UK comes from overseas. And 1977 was the third successive year that beer imports have declined. But beer drinkers in Britain downed 112m fewer pints (some 389,139 bulk barrels) than in 1976, the first annual fall in beer drinking since 1958.

Latest statistics published today by the Brewers' Society show that beer imports last year dropped 17 per cent to 1.56m bulk barrels (some 34 per cent less than 1973's peak figure). Over two-thirds of the beer imported came from the Republic of Ireland and was mostly stout.

On the employment front the number of women working in pubs rose by 5 per cent to 161,000, while the overall total of employees in the brewing industry rose by 3 per cent to 239,000.

The amount the Government collected last year in beer duty and VAT rose by 13 per cent to £1.16m. Beer taxes in the early months of 1978 were on average of 9½p on the price of a pint, says the Society.

But although the overall trend in beer consumption is down, the number of full on-licences given to pubs and hotels increased by 666 to 74,322.

HK watch sales up

Hong Kong's export of watches and clocks in the first quarter of this year rose to £75.71m, a jump of more than 60 per cent over the £47m achieved in the similar period last year. The U.S. and West Germany were the biggest market, followed by the UK which bought £3.7m worth, an increase of 63 per cent over the same period last year. Sales to the U.S. were up 77 per cent and those to West Germany by 74 per cent.

WORLD SHIPPING

Casualty on the S. African route

BY JOHN STEWART IN CAPETOWN

CAPE TOWN, June 25.

A COMBINATION of intense competition, depressed trading conditions and soaring costs in seaborne cargo trades between Europe and South Africa has claimed its first victim.

Enterprise Container Lines (ECL), the Norwegian-controlled general-purpose cargo liner operator, will discontinue its South Africa-Europe container service and its operation will be absorbed by the Conference Lines. It will, however, be paid commission on cargo it continues to the Conference and continue its bulk cargo service.

ECL, controlled by the Skjelbred family in Norway, had been active on South Africa-Europe trades for about five years and provided a regular fortnightly service which flourished in the period 1974-1975 when it won solid support from many shippers and receivers who were impressed with its highly competitive freight rates.

It was one of the first liner operators to introduce users to the intricacies of containerisation with its mixed-configuration freighters which carried 300-500 boxes in addition to normal break-bulk cargoes.

The disappearance of ECL reflects tough trading conditions, in which only owners with fat liquidity cushioning can be expected to survive.

Non-conference cargo liner operators trading on the spot market may be just about covering operating costs but are unlikely to be covering depreciation or interest charges.

Owners under pressure to sell off ships to meet debt and interest commitments have to face the added hardship that second-hand prices have fallen nearly 30 per cent in the past year.

The passing of ECL reflects, above all, the mounting ascendancy of conference lines since their switch-over in June last year to an integrated container service.

While conference was in the painful throes of transition to new handling techniques and while Southampton's container port was strike-bound (for 10 months), ECL, a non-conference operator, was able to provide what was really a valuable back-up service.

But now that conference has overcome most of its teething troubles and is providing a fast, regular door-to-door service at what one conference ship-owner describes as the "cheapest rates in the world," outsiders cannot match the conference service, at least not at viable rates of freight.

Conference members predict that, as soon as the consortium's four RoRo ships are commissioned, probably sometime next year, even residual cargo trades which Polish, Spanish and Portuguese lines are presently surviving on, will disappear. This will mean that South African shippers' and receivers' requirements will be served in excess of 80 per cent by conference ships.

In the view of users both in South Africa and abroad this really amounts to a kind of Government-sanctioned cartel. As such it is the target of constant criticism by shippers' councils who say that, because of conference's special relationship with the South African government under the Ocean Freight Agreement, it is not possible to negotiate meaningfully with shipowners. European shippers accuse South Africa of using the OFA as a device to protect domestic industry and boost exports.

SHIPPING REPORT

Dry bulk rates declining

BY OUR SHIPPING CORRESPONDENT

FREIGHT rates for dry bulk carriers continued their predictable, seasonal decline last week as the volume of grain movement slowed down, but this trend has not so far weakened prices for second-hand bulk carriers.

It is too early to say whether ship values will eventually follow the market downwards, but the sale last week of the five-year-old 26,000 dwt Cunard Chieftain for $4.8m—$200,000 better than for her sister-ship a week earlier—is evidence of sustained confidence.

In the oil tanker markets, brokers are somewhat puzzled by a rare improvement in freight rates for very large and ultra-large crude carriers. Inquiry from oil companies in the U.S. and Europe was strong last week and this, combined with a reduction in surplus ships in the Gulf, has taken the rate for a small VLCC to 21.25 and for a ULCC to WS17.75.

Only between ten and 20 VLCCs are available for loading in the Gulf during July and with some of these vessels effectively laid up, brokers believe owners will be unwilling to accept charters until rates further improve.

In the Mediterranean, the picture last week was the reverse of that in the Gulf, with an excess of tonnage allowing charters to chase rates downwards.

There is not much activity in the sale and purchase side of the tanker market, although Bibby Line of Britain sold an eight-year-old combination carrier of 113,000 dwt, the Ocean Bridge, to the C. Y. Tung group of Hong Kong for $3.8m.

£12m refinery orders

BY RAY DAFTER, ENERGY CORRESPONDENT

BRITISH companies have won over £12m worth of orders in Yugoslavia where they will provide consultative, and managerial services, as well as equipment, for the construction of an oil refinery catalytic cracking complex.

Foster Wheeler of Reading, Berkshire, has been awarded a contract for the engineering design, procurement, construction, supervisory and commissioning services by Naftagas Rafinerija Nafte Pancevo of Yugoslavia. The UK company was chosen from a short list of four major international engineering groups.

The overall cost of the oil upgrading facilities is about £29m, of which the value of Foster Wheeler's services, together with UK-supplied equipment, is put at £12.2m. A Eurodollar loan for 85 per cent of the total—backed by the Export Credits Guarantee Department—is being provided by Barclays International in association with other banks. A similar syndicated Eurodollar loan will cover the balance.

Work on site will begin this autumn and the project is expected to take three years to complete.

Foster Wheeler's U.S. parent, Foster Wheeler Corporation, is to finance and own a $25m (£13.5m) electricity generating plant on the island of Kauai, Hawaii; a power station to be fuelled by bagasse, the fibrous residue of milled sugar cane. Lihue Plantation Company is to provide the fuel and operate the facility, while Kauai Electric will purchase and distribute the power. The plant, representing the largest single construction job in Kauai's history, is expected to be producing electricity by late 1980.

Brazil aluminium deal signed

BY DIANA SMITH

RIO DE JANEIRO, June 25.

BRAZILIAN and Japanese partners in the Albras-Alunorte aluminium-alumina project have now signed the formal agreements establishing their joint venture.

Brazil's national mining conglomerate Companhia Vale do Rio Doce (CVRD) will hold 51 per cent of Albras (primary aluminium) and 60 per cent of Alunorte (alumina). NALCO (Nippon Amazon Aluminium Company) will hold 49 and 40 per cent respectively.

NALCO is a joint enterprise in which the Japanese Government holds 40 per cent and the Light Metal Smelters' Association of Japan, and major Japanese aluminium product consumers the remainder.

The projects are located in the state of Para in northern Brazil. Bauxite will be supplied by the Trombetas mines of Para, in which CVRD holds 31 per cent (forecast output 4.5m tonnes a year).

The Albras plant requires a total investment of $955m, the Alunorte plant, $409m. Initial output, starting in 1981, will be 40,000 tonnes from Albras (rising to a maximum of 320,000 tonnes a year), and 135,000 tonnes of alumina from Alunorte (rising to the maximum of 800,000 tonnes in 1983).

Electrical energy for the projects will be supplied by the mammoth Tucurui hydroelectric scheme planned for Para state, requiring an investment of close to $2bn, to which a consortium of French banks led by Credit Commercial will contribute $250m for purchases of equipment from Creusot-Loire and other French concerns.

Brazil's National Economic Development Bank (BNDE), which, after long hesitation, agreed to finance $513m of the Albras-Alunorte investment, held back its approval because it felt too many concessions were being made to the Japanese partners.

These reservations have been echoed by private Brazilian aluminium producers like Votorantium, who maintain that the CVRD-NALCO association will, on the one hand, solve Japan's aluminium supply problems at low cost to the Japanese, drawing on subsidised Brazilian electricity, whereas the cost of Japanese electricity is the most aggravating factor of production costs and, on the other, enable NALCO to form an aluminium cartel of producers and distributors, at Brazil's expense.

Such arguments are strenuously refuted by the Brazilian Government, which maintains that the combined projects of Trombetas, Tucurui, Albras and Alunorte will greatly benefit Para, one of the nation's most underdeveloped areas, and turn Brazil, in the foreseeable future, from an aluminium importer into a major exporter, thus saving foreign currency.

Contracts

● An order from Russia for an hydraulic vibration system valued at £2.7m has been secured by Derritron in conjunction with Servotest of Perivale, Middlesex. The contract is to supply a complete laboratory system for earthquake simulation. Increasing earthquake activity has been causing world-wide concern, and this equipment will make a significant contribution to research into ways of minimising their harmful effects.

● A £1m order by Argentina for giant dumper trucks has been won by a British Leyland company. The 12 vehicles will be built by Aveling Barford, of Grantham, Lincs., a member of SP Industries.

● General Automation has received a contract valued at £500,000 to supply all mini-computer hardware, standard system software, and engineering support to the Chinese Government Radio Administration, Taipei, Taiwan.

● Automatic equipment worth £1.1m for 70 poultry houses capable of breeding and rearing 7m chicks each year is to be supplied to Iran by the Norwich-based company of Agro.

● Salgo Engineering International has signed a contract with General Ceramics (UAE) in Sharjah, UAE, valued at £2.5m. The contract is for the design and supply of a complete vitreous china sanitaryware manufacturing facility in that country.

● Cryoplants of Edmonton, North London, has won a £400,000 contract to supply a nitrogen generator for the State Fertilizer Manufacturing Corporation, Sapugaskanda, Sri Lanka. General contractor for the project is Kellogg International Corporation. The fertiliser production, is due to start at the new facility in 1979.

● Whessoe Systems and Controls of Darlington, have negotiated a contract valued in the region of £200,000 to supply their Whessmatic 500 telemetering system and tank level gauging on a number of oil storage tanks at the Kaduna Refinery of the Nigerian National Petroleum Corporation.

World Economic Indicators

UNEMPLOYMENT

		Jun. '78	May '78	Apr. '78	Jun. '77
UK*	000's	1,364.6	1,366.4	1,387.1	1,352.8
	%	5.7	5.7	5.8	5.7
		May '78	Apr. '78	Mar. '78	May '77
Holland*	000's	202.3	202.0	200.5	202.5
	%	5.1	5.1	5.0	5.1
W. Germany	000's	912.9	1,000.4	1,098.9	946.4
	%	4.0	4.4	4.9	4.2
U.S.*	000's	6,149.0	5,982.0	6,148.0	6,780.0
	%	6.2	6.0	6.2	6.9
		Apr. '78	Mar. '78	Feb. '78	Apr. '77
France*	000's	1,105.7	1,086.1	1,050.3	1,039.4
	%	5.1	5.0	4.9	4.9
Japan	000's	1,230.0	1,410.0	1,360.0	1,060.0
	%	2.2	2.6	2.5	1.9
Belgium	000's	280.2	284.1	290.9	252.6
	%	11.4	11.5	11.8	9.7
		Jan. '78	Oct. '77	Jul. '77	Jan. '77
Italy	000's	1,520.0	1,598.0	1,692.0	1,459.0
	%	8.0	8.0	8.5	6.8

* Seasonally adjusted.

Ultimatum to Japan on steel project

By Our Own Correspondent

RIO DE JANEIRO, June 25.

THE BANK of Tokyo, Long Term Credit Bank of Japan and the Dai-Ichi Kangyo Bank are still refusing to lay out, in one go, the $700m to which they have committed themselves as financing for the Brazilian-Japanese-Italian Tubarao steel project destined to be set up in Espirito Santo state.

Under the terms of the memorandum of agreement signed between Brazil's steel agency, Siderbras, Italy's Finsider and Kawasaki Steel of Japan, the Japanese partners, who have a 33.3 per cent share in the Tubarao venture, undertook to persuade Japanese banks to provide $700m of the total $2.6bn investment required.

So far, the Brazilians have been unable to persuade the Japanese bankers to commit themselves to more than a $150m tranche, to be delivered in the next few weeks, or to clearly lay down terms of payment and interest rates for the full amount.

After two days of inconclusive meetitngs in Brasilia last week with the Japanese bankers, the Brazilian Government negotiators, led by the Trade and Industry Minister, Sr. Angelo Calmon de Sa, have laid down an ultimatum.

If a positive answer—involving delivery of the full $700m, plus watertight details on terms of payment, interest and repayment of principal—is not forthcoming by July 31, Brazil will "review the entire part of the agreement involving Japan."

Optimism on electronics

Financial Times Reporter

THE LATEST round of talks between the British and Japanese electronics industries, which ended last week, has created some optimism that Japan's policy of orderly marketing is being helpful in curbing imports.

The talks, led by Lord Thornycroft on the British side and Mr. N. Yoshii for the Japanese, led to a confirmation of this policy by Japan and assurances in particular on small screen black and white television sets.

However, the most significant development was broad agreement on closer commercial co-operation between the two industries, which could lead to Japanese companies importing British electronic components.

Mr. Michael Meacher, Under Secretary of State for Trade, said this development could provide "an exciting opportunity" for the UK industry.

DKB'S ECONOMIC JOURNAL

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Labor's relative share in Japan is due to maintain rising keynote in future

Preface

The Japanese economy appears to have entered a transitional stage after the halt of the long period of its high growth.

In the high growth period for years after the end of World War II, the high increase of the real income of wage earners was conspicuous. As a result, it was possible for the Government to avert the intensification of the income distribution problem, at least for the time being, by dividing increased income.

However, the situation has made a notable change. Now that the economic growth pace has begun to slow down perceptibly, the upswing of income has started to dwindle. At the same time, the tempo of the income growth has become conspicuously lopsided. Against this background, the income distribution problem has come rapidly into the limelight.

Labor's relative share

Labor's relative share is generally taken as an indicator of the ratio of labor's income (receivable personal income) to value added.

Inasmuch as labor's income includes in its composition personal income from unincorporated enterprises (including income of family workers), however, it is liable to represent a different value, depending on the process of handling such personal income from unincorporated enterprises.

In this report, it is assumed that labor's relative share of personal income from unincorporated enterprises is equal in value to labor's relative share of other sectors.

In comparing labor's relative share in major industrial countries, the share on a national income basis stood at 81 per cent for the United States (1976), 85 per cent for the United Kingdom (1976) and 82 per cent for France (1975). In contrast, comparable share registered 74 per cent for Japan (fiscal 1976).

However, labor's relative share is regulated to a great extent by such factors as the industrial structure and the corporate capital composition.

Particularly in the case of Japan, the rate of dependence on borrowed capital on the part of enterprises markedly heightened during the high economic growth period, compared with other countries. Consequently, the financial expense increased sharply. Under its impact, labor's relative share resultantly declined. This point deserves specific attention. Naturally, the level of labor's relative share cannot be simply and directly linked with the problems of fair distribution and wage levels.

In other words, it cannot be said that the levels of fair distribution and wages in Japan are lower simply because of the low level of wages.

Influencing factors

According to Industrial Statistics compiled by the Ministry of International Trade & Industry, labor's relative share of workshops (with over 30 workers on payrolls) in the manufacturing sector: total cash pay divided by the net amount of value added) has begun to follow an uptrend from around 1971 after the continued slowdown until 1970.

Considered primarily responsible for the changing trend of labor's relative share are two major factors:

—The fluctuation of major component factors of labor's relative share particularly wages and labor productivity (that is, cyclical factors).

—The changing pattern of the types and scales of industries in the manufacturing sector (that is, structural factors).

With reference to the first group of factors, the following formula is considered reasonably available by taking the net amount of value added as V, the labor expense as W, prices as P, production as O and the number of employees as L:

$$W/V = W/L - (V/P \cdot O \times O/L \times P)$$

(Reference: W/V=labor's relative share: W/L=wage: $V/P \cdot O$ =ratio of value added: O/L= labor productivity: P=prices)

In other words, labor's relative share tends to increase (or decrease) when wages advance (or decline). It also tends to rise (or dip) when the rate of value added, labor productivity and prices rise (or sag).

In this connection, principal factors working to cause the fluctuations of labor's relative share since 1966 are roughly as follows:

1) The advance of wages has functioned to raise labor's relative share by 7-10 per cent since 1966, except in 1973 and 1974.

2) The impact of the price advance was not particularly heavy, except in 1973 and 1974.

3) The effect of the changing pattern of the rate of value added served to raise labor's relative share by around 4-5 per cent because of the soaring cost of raw and processed materials for about two years following the oil crisis in late 1973. As a whole, however, it had no vital influence.

4) In contrast, the influence of labor productivity on course of labor's relative share sharply fluctuated in different years.

It thus is noted that the upswings of wages and labor productivity have had a great influence in changing the course of labor's relative share. In this process, the elevation of wages has continued to boost labor's relative share by 7-10 per cent almost without a break, except in 1973 and 1974.

On the other hand, the increasing tempo of labor productivity has changed markedly in accordance with the trend of business. It thus may be said that the fluctuation of labor's relative share has been more decisively regulated by the change of labor productivity. For example, labor's relative share advanced in 1974 and 1975 when labor productivity declined under the impact of the recession.

As stated, labor's relative share has tended to decline during the period of business upswing and to advance during the period of business downswing. It thus has followed a course contrary to the general business cycles.

A decline of labor productivity usually stems from the gap in the process of adjustment of production and employment in a recession period.

This serves to indicate that enterprises have managed to maintain employment during the recession period by coping with the decline of labor productivity by elevating labor's relative share.

Reference may be made next to the second factor responsible for the fluctuation of labor's relative share. The sizes of labor's relative share are widely different according to the types of industries against the background of disparity in labor productivity (See Table). At the same time, labor's relative share is liable to be higher in minor enterprises and lower in major industries.

Under such circumstances, labor's relative share as a whole is apt to be influenced by the changes in the scale and structure phases of industries concerned. However, the change of the industrial structure has not be exercising a particularly strong influence on the fluctuation of labor's relative share in recent years.

In this connection, let us estimate labor's relative share in 1976 on the basis of the industrial structure as it stood in 1975. Assuming that there were no changes in the composition of the industrial structure in the interim, labor's relative share is estimated to have stood at 41.0 per cent in 1976.

Assuming that there were some notable change in the scale of component industries in the interim, on the other hand, it is estimated to have registered 40.8 per cent in 1976. The actual size of labor's relative share in 1976 registered 40.8 per cent. It thus stood virtually at the same level as the comparable sizes estimated under the foregoing two assumptions.

Labor's Relative Share by Industries (%)*

Calendar year	Mfg.	Food	Textile	Coal & oil	Steel	Electrics	Transport machinery	Chemical
1965	38.3	31.2	47.2	16.9	44.9	36.8	38.3	24.6
1966	36.4	30.3	47.2	17.9	47.2	35.4	36.3	23.6
1967	33.8	28.6	43.0	16.6	35.6	32.5	34.8	21.5
1968	33.8	29.0	44.7	15.5	47.4	32.3	32.9	20.9
1969	33.4	28.5	46.0	16.4	37.1	31.9	35.7	19.3
1970	33.7	28.4	46.1	15.5	37.1	33.0	34.5	20.4
1971	36.8	29.3	48.4	16.4	45.7	37.0	37.8	21.7
1972	37.1	26.1	48.7	19.5	42.8	36.4	39.3	23.2
1973	35.5	30.4	41.6	15.5	32.4	37.9	39.5	22.6
1974	37.3	30.9	51.8	13.4	34.8	41.3	43.0	24.9
1975	43.5	32.7	55.9	18.7	51.3	48.7	46.0	29.5
1976	40.8	29.1	50.1	15.2	46.5	43.5	41.7	29.3

*Workshops with over 30 workers on payrolls.
Source: The Ministry of International Trade & Industry

Future problems

Labor's relative share in Japan thus has been showing signs of advancing in recent years on the basis of the gap in the advances of labor productivity and wages. The rising tempo of wages is expected to slow down in the future. However, the advance of wages is likely to continue at least at the same rate as the hike of consumer prices.

In contrast, labor productivity is destined to continue a steady upswing in the future from a long-range standpoint along with the progress of technological innovation and the intensification of the industrial structure.

From a medium-range viewpoint, however, the current surplus of the labor force is not expected to be rapidly rectified in view of the established employment practice in this country and unless domestic business starts a swift recovery.

In view of attendant circumstances, however, the trend of labor's relative share starting to decline because of a sharp upswing of labor productivity, as was the case during the high economic growth period, is likely to weaken from a medium-range viewpoint. Instead, labor's relative share is bound to follow a steady rising keynote.

In view of the growing need to maintain employment at a proper level, it is deemed essential for enterprises to pay close attention to the policy for replenishing internal reserves.

HOME NEWS

Inflation rate will rise, say brokers

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

A SLIGHT acceleration in the rate of price inflation back into double figures during the first half of next year is forecast today in two stockbrokers' reviews.

The brokers—Wood Mackenzie, and Montagu Loebl, Stanley—both expect a buoyant level of output for the rest of this year with some slowdown in the rate of growth during 1979.

Wood Mackenzie expects a rise in real gross domestic product of 3.7 per cent in the year to the second half of 1978 and of 2.2 per cent in the following 12 months.

On inflation, Montagu Loebl expects a rise in the 12-month rate of increase to 11 per cent in the first half of next year, compared with less than 8 per cent at present, although some moderation is expected subsequently.

A broadly similar view is taken by Wood Mackenzie which expects that the rate will be around 10 per cent for a short period in mid-1979, before declining later.

On the current account, Wood Mackenzie is expecting only balance this year with Montagu Loebl looking for a surplus of £500m in 1978 as a whole. Both brokers expect there will be a surplus next year with figures of £300m and £1½bn respectively.

A relatively pessimistic view of the prospects for interest rates and the gilt-edged market is taken by Montagu Loebl.

"Although short-term interest rates may fall slightly in the next two or three months, the decline is not expected to be substantial.

"The ratchet effect of the artificial manipulation of interest rates will probably mean that Minimum Lending Rate will have to go above 10 per cent before the end of 1978-79, may be up to 12 per cent."

The brokers are relatively bearish about long-term interest rates as well. They suggest that domestic credit expansion in 1978-79 will exceed the ceiling of £6bn by £750m.

The most bearish factor is reckoned to be the size of the borrowing requirement with life assurance companies and pension funds having to invest around £4.1bn in gilt-edged stock this year compared with the record £2.9bn in 1977.

Cluff Oil recruits Linning

By Ray Dafter, Energy Correspondent

CLUFF OIL, a British independent oil company, has recruited Mr. Matt Linning, formerly a general manager of BP Petroleum Development, to strengthen its bid to become operator of new exploration licences in the North Sea and elsewhere.

Mr. Linning, one of the most experienced operators in the North Sea where he was manager of BP's Forties Field development, has joined Cluff as technical adviser and representative of the company in Scotland.

He retired from BP in March after serving as general manager for exploration and production with BP Petroleum Development.

Cluff is operator on a small concession in the Irish Sea. It is also a partner in the North Sea Buchan Field, but in the last round of licences was an unsuccessful applicant.

Mr. Algy Cluff, managing director of Cluff Oil, has already indicated that he is constructing a consortium to bid in the next round of licences.

The Government's consultative document on possible conditions for the round of concessions indicates that independent companies may be encouraged to take a stake in future drilling activities.

Pre-election whistle blown by Healey

BY RUPERT CORNWELL, LOBBY STAFF

Mr. Denis Healey

MR. DENIS HEALEY last night effectively blew the election campaign whistle three months early with a savage attack on the Conservatives and the promise that Labour would fight on a platform of "unity and co-operation."

With an October election looking more certain every day, the Chancellor declared that the Tories had no policies to offer, only division. They were aiming to "set community against community and class against class."

The Opposition, he told a Labour rally in Portsmouth, was split on industrial relations, on the economy and on education policy. "They are divided among themselves, and now they are seeking to divide the nation."

Mr. Healey left no doubt that one of the main strands of Labour's electoral strategy will be to present itself as the party of moderation which has at last set the economy on the right lines and the Conservatives as dangerous extremists who would destroy the progress made.

Labour, he said, had brought Britain through the "most savage economic hurricane" and would fight the election on that achievement. The three priority tasks for the future were to increase national wealth, improve the standard of living and bring down unemployment.

Some people, the Chancellor warned, had suggested that by appealing to reason and idealism, Labour would be giving itself a handicap in an election which the Conservatives wanted to make the dirtiest since the Second World War. But to present the facts "honestly and squarely" was a precondition of electoral success, he said.

MP's death increases Labour's difficulties

BY OUR LOBBY STAFF

LABOUR'S overall Parliamentary position worsened further at the week-end with the death of Mr. Joe Harper, a Government Whip and MP for Pontefract, Yorks., since 1962.

Although the seat, which would require a Tory swing of about 25 per cent to change hands, is one of Labour's safest, the loss of 64-year-old Mr. Harper puts the Government in a minority of 305 to 323 against all other parties, with two by-elections in Labour-held seats next month.

These polls, at Penistone, South Yorks., and Moss Side, Manchester, will be held on July 13. They are aimed at boosting the Government's numerical strength for several key votes before the end of the session, and will provide Mr. Callaghan with a final test of public opinion before the General Election now taken for granted in October.

Home freezer stocks raided

BY CHRISTOPHER PARKES

THE HIGH price of red meat has prompted housewives in Britain to delve into their freezers to use stocks they bought last year.

During the first three months of the year they used about half of their reserves of pork, according to figures published today in the latest National Food Survey from the Ministry of Agriculture.

They also ate more chicken and sausages—cheaper alternatives to beef and lamb. Consumption of poultry was about 18 per cent higher than a year earlier at 6.38 oz per person per week.

Beef consumption slipped below levels reached in the final three months of 1977 but was still 5 per cent higher than in the first three months of last year.

Lamb eating was 2 per cent down on the previous three months but 4 per cent up on the year.

The Ministry claims to have adjusted its sampling techniques to allow for the increase in the number of families using freezers.

Its figures show that allowing for the use of home reserves, consumption of pork in the period under review was 9 per cent higher than the previous three months and 2 per cent up on a year ago.

The Financial Times' monthly surveys of consumer confidence and grocery prices will be published tomorrow.

The cost of eating in the U.K. rose by almost 2 per cent, compared with the last quarter of 1977. Excluding sweets and soft drinks the average spent on food for consumption at home was £5.39 a head a week, compared with £4.90 a year earlier.

The amount of many staple foods consumed has fallen. People bought less butter, cheese and milk.

Milk orders were cut when the price of a pint went up 1p to 12½p on January 1. Average consumption is now 4.45 pints a week compared with 4.54 pints a year ago.

Sugar purchases fell by more than 2 oz per person per week compared with the last three months of 1977.

As tea and coffee prices started to fall in line with the general moderation in world commodity prices, housewives tended to use more instant coffee and less tea.

Frozen vegetables lost favour, consumption falling to 3.26 oz per person per week compared with 4.59 oz in the same part of 1977. The unusually high consumption of a year ago, however, can be attributed to shortages caused by the drought of 1976.

Potatoes, which were also severely affected by that drought, have begun to re-establish themselves in the national diet. This year's consumption is almost 3 lb a head a week, compared with only 2 lb 4 oz a year ago.

Fisheries case 'understated'

MR. JOHN SILKIN, the Minister of Agriculture, has understated Britain's case in EEC fisheries negotiations, one of the UK's fishing organisations claims.

In his attempt to win for Britain the major share of Common Market fish resources, Mr. Silkin has based his argument on Ministry of Agriculture figures which show that 60 per cent of EEC catches are from Britain's 200-mile zone.

But the National Federation of Fishermen's Organisations has now published evidence suggesting that Britain in fact contributes 70 per cent to the Common Market "fish pond."

The evidence is the work of Mr. Murdo Macinnes, managing director of a Grimsby small boat agency, who has been analysing official catch data for 1974.

● NEWS ANALYSIS—SCOTTISH UNEMPLOYMENT

Pressure on Clydebank

BY JOHN LLOYD

CLYDEBANK "was once known as the home of the sewing machine. At one time, Singer employed 21,000 people. Today it employs 4,500. In four years it is going to reduce the labour force to 2,000."

The speaker: Mr. William Johnston, Provost (mayor) of Clydebank, industrial heart of Glasgow, a long-time member of the Scottish National Party. The occasion: the annual SNP rally and commemoration ceremony at Bannockburn, near Stirling, where 664 years ago last Saturday Robert Bruce's Scots army routed the larger but badly-led English army under Edward II.

Mr. Johnston was a last minute addition to the SNP programme. The reason was obvious—bad news for Clydebank is quite likely to be good news for the SNP, even though it has controlled the district since last May.

Mrs. Margo MacDonald, county vice-chairman, rubbed the point home, recalling the old victories to whet the appetite for new ones.

She said: "In an Independent Scots economy we would have the same problems, but we would have control of our own resources. Contemporary Scots have the same choice as Bruce's Scots: they must do or dee."

But what can be done with Clydebank, if it is not to die? Singer is certainly the most dramatic recent casualty, but it is not the only one. Two weeks ago, a little company named Brockhouse Engineering, which developed and manufactured steel erection systems for school buildings, fell victim to the cut-back in the school building programme. More than 100 employees lost their jobs.

The Goodyear tyre factory, which stands on the border of Clydebank, has cut back on its 800-plus workforce and may cut further. Earlier, two biscuit factories, UCBS and Peattie's, sacked 850 workers between them. Before that, the 7,000 jobs lost at shipyards on the Upper Clyde were replaced by only 900 at the Marathon oil platform yard.

Clydebank has an unemployment rate of about 15 per cent, its council estimates. It also has a debt of more than £30m and some of the highest rates in the country. Singer's last rate increase was 300 per cent—to about $100,000 a year, hardly an incentive for expansion.

The Singer workers are not [illegible], Mr. John McFadzean, shop stewards' convener at the plant, said last week that the unions would take the "unique chance" offered by the management of investigating the company's books and making their own assessment of, and plans for the future.

The workers know there has to be a plan: they have very largely accepted the technical case made by Mr. Joe Flavin, Singer chairman, last week.

Militant

Any further militant action which the Singer workforce may take has already been underwritten by Mr. Jimmy Reid, leader of the Upper Clyde Shipbuilders' occupation six years ago, and by Mr. James Airlie, now convener at Govan Shipbuilders. Both have made it clear they will support a Singer work-in.

Today a group of six SNP MPs is to visit Clydebank to express support for whatever plan may be found to stave off the proposed rundown. The Singer shop stewards are holding a mass meeting tomorrow to put forward a plan of action. They have already had offers of help from the Scottish Development Agency in preparing their alternative strategy.

In a pre-election atmosphere—greatly heightened by Mr. David Steel's speech in Perth last Friday—it was inevitable that political capital be made of Singer. The SNP, with characteristic opportunism, has taken the initiative and the Conservatives are not far behind.

Mr. Teddy Taylor, shadow Scottish Secretary, reckons Singer may be the first of a new wave of closures and redundancies in Scotland's bigger industries; he instances British Steel's [illegible] plant and shipyards as industries under threat. He also believes that about 20,000 jobs could disappear with the reduction in the regional employment premium, and that a further 57,000 jobs must go because of various forms of Government assistance.

Scotland has had higher unemployment levels than the rest of Britain for decades. A recent peak was reached in [illegible] when Scotland's rate was more than double that of the rest of the U.K.

Mainly because of oil, the rate fell—in 1976 it was only 19 per cent worse. Now, according to Mr. Taylor, the rate is rising once more, standing at [illegible] per cent worse. Mr. Taylor talks of attracting "compensating industries" to Scotland to replace the obsolete ones, offering a more liberal atmosphere in which to do business.

Across the political divide from Mr. Taylor, the Left in the Scots Labour movement is growing more impatient. Mr. Airlie says bitterly: "I think it is a disgrace that the official leadership of the trade union movement is silent as redundancies pile up. The trade unions exist to struggle for jobs, not allow them to disappear."

If Mr. Taylor is right and much worse is to come to Scotland, the Government will find itself increasingly beleaguered—both by two major opponents and by its own Left.

Mr. Eric Varley, Industry Secretary, who slipped quietly in and out of Glasgow last week to look at some of the more troubled groups—British Steel, Chrysler and Govan Shipbuilders—must have felt a little like Edward II at Bannockburn.

But the contemporary Bruces—including Mr. Bruce Millan, Scottish Secretary—have problems with which King Robert never had to cope.

Low-price liquor group to cut staff

BY KENNETH GOODING

ABOUT 100 jobs will be lost in a major restructuring at Augustus Barnett, the cut-price liquor concern which was taken over by Rumasa, the Spanish sherry and banking conglomerate, a year ago.

Among those to leave the company is Mr. Leslie Clark, the managing director, who has been with Barnett for 10 years. About 50 redundancies will be involved.

Day-by-day running will be taken over by a seven-strong management committee under the chairmanship of Mr. Brian Barnett, 43, who founded the company 15 years ago.

He said at the weekend that, while regretting the redundancies, "if Augustus Barnett is to maintain and extend its competitive grip on UK liquor retailing, we must be cost-effective."

Full computerisation has made possible cuts in the stock control, accounting and administration departments. "These savings will make for even lower prices at our stores. I have geared this re-organisation so that we can open at least a further 60 to 80 stores without making radical changes in the company."

Augustus Barnett has 178 stores, 40 of them opened in the past year, and 32 in the previous 12 months.

LABOUR NEWS

Union leaders issue warning over Boyle salaries review

BY PHILIP BASSETT, LABOUR STAFF

UNION LEADERS said yesterday that their members would expect similar increases if the Government implements the 70 per cent pay rises for chairmen of nationalised industries proposed by the Boyle review of top salaries.

The Boyle proposals, which are being studied by the Government, would give rises of nearly £17,000 to chairmen of nationalised industries and up to about £10,000 for senior armed forces officers, judges and civil servants.

Mr. David Basnett, TUC chairman and general secretary of the General and Municipal Workers' Union, said the Government could not implement the Boyle report while there was a 10 per cent earnings limit.

Other public sector union leaders, whose unions are bound to bear the brunt of any pay policy the Government might try to introduce for the next wage round, which begins in five weeks' time, made direct comparisons with their members' pay.

Mr. Alan Fisher, general secretary of the 650,000-strong National Union of Public Employees, said that if the formula the Boyle report had worked out was good enough for those at the top it was good enough for those at the bottom, whose needs were greater.

He was not arguing that top paid people did not have a case for pay increases, but that like them, the lower-paid public sector workers ought to be compared with private industry.

Mr. Ken Thomas, general secretary of the Civil and Public Services Association, which in common with other Civil Service unions, accepted a 10 per cent settlement for its members, said that trade unionists would not listen to the Government's encouragements to be careful and cautious in the next wage round if salary rises as high as these went through.

Engineers seek compulsory registration

By Kenneth Gooding, Industrial Correspondent

A STRONG plea for the statutory registration of professional engineers has been made by the United Kingdom Association of Professional Engineers in its evidence to Sir Monty Finniston's committee of inquiry into engineering.

The association believes that "statutory registration would bring substantial advantages to the country in defining the engineering profession by replacing the voluntary and ineffective registers currently adminstered by the Council of Engineering Institutions."

It suggests that the present 16 chartered institutions should be combined into one with separate "learned society" sections, as in Australia and Sweden where the profession presents a united "image."

New incentive scheme put to BL unions

BY ARTHUR SMITH, MIDLANDS CORRESPONDENT

BL CARS has put a new incentive scheme to the unions in a move to raise flagging output.

Mr. Michael Edwardes, the chairman, has made it clear that the early introduction of such a scheme is "crucial to the survival of the company." Broad outlines only have been submitted to the unions but detailed negotiations are expected to begin next week.

Bonuses are likely to be based on overall plant performance and therefore fail to meet union demands that payment should be related more directly to individual effort.

The 800 shop stewards at the troubled Longbridge plant, Birmingham—BL's biggest—are to appeal today to the 20,000 manual workers to curtail wildcat action to get production moving.

Workers will be urged to exhaust official negotiating procedures before contemplating a walkout.

At the Rover plant, Solihull, new moves are likely today to resolve a strike now running into its third week. The 80 external drivers who walked out after the dismissal of a shop steward are expected to be urged by full-time union officials to return to work.

More than 5,000 workers at nine plants are already laid off by the dispute and production of Rover saloons, Range Rovers and Land Rovers is at a standstill. Lost output is valued at £3m a day at showroom prices.

Giveaway strike

EDITORIAL STAFF at the Richmond Herald, Surrey Comet and Midlesex Chronicle newspapers will begin an official National Union of Journalists strike today to protest at plans by the management, Trident Group Printers, to turn the Herald into a giveaway paper. Its editorial staff would be reduced from eight to three.

Westland unions meet

BY PHILIP BASSETT

SHOP STEWARDS at Westland Aircraft's helicopter plant, Yeovil, will meet this morning to discuss the company's dismissal warnings received over the week-end by 2,000 manual workers.

Industrial action is unlikely to be considered at this stage as the unions feel that further moves must come from the management.

Westland wants to scrap the piecework system of payment which at present applies to half the manual workers and replace it with a flat rate of pay for a 40-hour week in order to solve long-standing pay problems.

Mr. John Speechley, managing director of Westland Helicopters, said in a letter to the manual workers that the piecework system had become uncontrollable and was too costly.

The unions say that the company has offered a basic rate for manual workers of £71 per week, with a £10 "frozen" supplement to act as a cushioning effect against the ending of piecework.

هكذا من الأصل

Building and Civil Engineering

US$72.6m irrigation project designed by Halcrow

A DEVELOPMENT being jointly financed by the Inter American Development Bank and the Government of Guyana, at an estimated cost of U.S.$72.6m, will bring the Abary River basin into full agricultural production.

A conservancy dam approximately 35 miles long will be built, resulting in the creation of a shallow reservoir covering an area of 150 square miles. Other engineering works involve the construction of a main canal 25 miles long, some 19 distributary systems, one head regulator and four intermediate regulators. The drainage and irrigation works will serve some 82,000 acres of land which currently come under flooding—in addition, 71,000 acres of land will be levelled and about 30 miles of access road built.

For this project, Sir William Halcrow and Partners has associated with C. A. Liburd and Associates, the Guyanese firm of consulting engineers who also have a substantial practice in East Africa and who will play a major role in mobilising local expertise and participation.

The team will have responsibility for the acquisition of machinery and all necessary equipment for its operation and maintenance. It will also supervise expanding existing experimental stations and will establish a 6,000-acre plot to grow corn and soya bean on a double cropping rotational system. Farming patterns are to be set up for improved production of rice, sugar cane, coconuts, and also for improving pastures for raising livestock.

Because the work must involve substantial further surveying and meteorological, hydrological, and topographical investigation, it is of considerable advantage to Halcrow that the firm is currently carrying out a major rehabilitation and improvement scheme at Tapakuma on the nearby Essequibo Coast, and thus has available a great deal of relevant information.

On the completion of this project, over 115,000 acres of land will have been rehabilitated. Improved irrigation and drainage will enable rice production to be greatly increased (much of it for export to other Caribbean countries) and should materially assist Guyana in its balance of payments position.

Block plant in full production

A NEW £4.6m plant for the manufacture of building blocks has just been brought into production at Alfreton, Derbyshire, by TAC (Turner and Newall Group).

The aerated concrete blocks will be offered mainly for use in cavity walls, partitions and below inner leaf damp course level and they will be made in an automated process in which a slurry of water and sand is mixed with cement, lime and an aluminium powder dispersion. This mixture is transferred to moulds in which it rises and hardens.

Curing in a large autoclave follows (there are eight autoclaves altogether) at 11.5 bar 185 degrees C. saturated steam pressure.

The plant was designed and built by A/S Stens of Denmark in conjunction with consulting engineers Lacey, Roberts, Pengel and Horonty. Main contractor was Sir Alfred McAlpine and Son (Southern).

£6m office block

WORK HAS begun on an L-shaped nine-storey office block attached to the Cunard International Hotel in Hammersmith, London. The contract worth nearly £6m is being carried out by Willett to the design of London architects T. P. Bennett and Son.

The structure generally will be of reinforced concrete frame construction with reinforced concrete foundations, upper floors being part hollow clayware and part reinforced concrete. External walls will be cavity brick and block construction and there will be alternate horizontal bands of brickwork and double glazed aluminium windows.

In addition to the new block, Willett will extend the Cunard International Hotel basement car park by three bay widths, install a permanent goods lift serving the first floor ballroom and conference rooms together with an adjoining fire escape staircase at the west end of the hotel.

Within the existing unallocated ground floor area of the hotel, five squash courts, changing rooms and viewing gallery will be built while three further squash courts, clubrooms, administrative rooms and viewing gallery will be built at first floor level.

£2m for French Kier

TWO COMPANIES in the French Kier Group have received contracts worth £2m from the London Borough of Hackney, the Greater London Council and City of Birmingham District Council.

The company will construct a £650,143 "corrective assessment block" and "secure block" at Scurstown Terrace, Hackney, and seven staff houses plus a three-storey block of six flats. Work is due to commence soon and will take about 18 months to complete.

At Manford Street, Bethnal Green, will be built 38 old people's flats and a clubroom, at a cost of £739,303 for the Greater London Council.

The construction of a central facilities block at Birmingham Polytechnic will cost £606,774. The three-storey block is the fifth phase of a multi-phase polytechnic which will, by the 1980s house about 7,500 students.

Experiment in energy saving

DUE FOR completion in November, a small block of eleven 2-person flats being built for the London Borough of Islington in Newington Green Road has been designed as an energy conservation project which will yield a lot of useful data.

Insulation in the building will include 150 mm of glass fibre in the roof, plastics foam in the cavity walls and 25 mm of urethane foam board on the underside of the screeds. Pressed steel insulation filled lintels and double glazing (the latter also to reduce noise) will be used and windows will be placed for maximum solar gain.

Some of the flats will be used as control units while other groups and individual units will incorporate specific measures.

Preheated water from a single array of 12 square metres of solar panels on the roof will be supplied to the water installations of four of the flats, the panels being supplied by Commercial Solar Energy of Nottingham. The panels will be connected to two tanks with a total capacity of about 4,150 litres. It was found that by grouping the solar panels and providing a single array for several flats that the cost per flat was greatly reduced.

The architect responsible for design and construction of the flats is Robert Fawcett of Sheffield, Herts, and the project is to be monitored by The Polytechnic of North London's Department of Environmental Design and Department of Electronic and Communications Engineering. Total value of the contract is £189,125.

Making it groovy

SLIPPERY WHEN WET concrete steps, airport runway safety hazards and the application of self-adhesive strips has not always proved satisfactory, in outdoor situations where, if the strips peel off, the steps in wet weather further dangerous conditions ensue.

Because of problems at a California amusement park, a specialist concrete cutting company designed a unique machine. The result was a hand-held step-grooving unit equipped with two 230 mm diameter diamond blades.

The machine as developed can be powered by air, electric or hydraulic motor and as it weighs only 30 kg it can easily be operated by one man. Containing a blend of 20/30 and 30/40 US mesh De Beers EMBS natural diamond, the water-cooled blades rotated at 2,500 rpm and produced a pattern of evenly spaced safety grooves 5 mm wide and 3 mm deep.

More from De Beers Industrial Diamond Division, Charters, Sunninghill, Ascot, Berks. (0990 23456).

IN BRIEF

● Lesser has introduced a new export building system called Supapac designed as a low-cost solution to overseas accommodation problems in the Middle East and Africa. The company also announces its high-quality housing system, Executive, specially for tropical climates, for personnel and their families working overseas.

● Elf Aquitaine Norge A/S has chartered Star Canopus, the diving support vessel owned and operated by Star Offshore Services, to carry out subsea work on the Frigg Field. The vessel's main task will be for the saturation divers from Northern Divers (a Star subsidiary) to position 28-ton "saddles" on pipelines in the field.

● Ashwell Scott has secured a contract valued at just over £450,000 for the installation of mechanical services in a new four-storey building which will house the University Library and Department of Library and Information Studies at Loughborough University of Technology, Leics.

Laing's £8¼m wall

THE ANGLIAN Water Authority has awarded an £8¼m contract to the engineering division of John Laing to extend the Thames tidal flood defences.

The contract calls for the construction of a steel-piled wall about 51,700 metres long at the Shell Haven river frontage, together with alterations to existing structures, including provision of gates and associated pipework at 10 jetty approaches. Also, the modification of existing pipework, culverts and cooling water outfalls and the demolition of mooring bollards.

The new river wall, which will comprise about 14,850 tonnes of piles driven up to 20 metres into the foreshore and 11,200 square metres of concrete, will be sited about one metre forward of the existing river wall and half a metre higher.

The project will be run from the Laing South East Area office in Billericay and is due to start at the end of July with completion expected in two years.

Tesco award to Bovis

BOVIS CONSTRUCTION, which is already working on a £2m new warehousing complex at Eldon Wall Industrial Estate at Crick, near Daventry, and a £750,000 extension to a warehouse at Westbury, Wiltshire, for Tesco, has received another contract valued at around £2m for a project comprising a 10,000-square-metre extension to Tesco's Home 'n' Wear warehouse on the Kiln Farm Industrial Estate at Milton Keynes.

The work involves enlarging the existing warehouse and offices and provision of new maintenance workshop facilities. The structure will have a steel frame with pitched roof and will be clad with PVC to match the existing building.

Wates £2¾m in London

LARGE SCALE modernisation contracts valued at nearly £2¾m, have been awarded to Wates Special Works for work in Kensington and Camden, London.

At Nottingwood House in the Royal Borough of Kensington Chelsea the completion in five stages of improvement works to 100 flats, situated in a five-storey blocks, will take 16 months. The flats will have central heating, will be completely rewired, and upgraded to provide modern kitchens and bathrooms. Externally, chimney stacks and part of existing roof structures will be removed, a new built up roof covering laid and new refuse chutes installed. Extensive landscaping will incorporate a children's play area.

The company is also to modernise 238 dwellings at Westcroft Estate in the Borough of Camden, at a cost of £1.6m. The 84-week contract, starting in July, will be carried out while tenants remain in occupation. Fully fitted kitchen "pods" are to be added to 118 houses, and 168 flats are to be provided with full central heating, new kitchen and sanitary fittings and upgraded electrics. Energy conservation will be achieved by roof and wall thermal insulation.

Mowlem homes at £1.7m

TWO HOUSING contracts valued together at about £1.7m, in Lambeth, London and Milton Keynes, have been won by John Mowlem.

The Milton Keynes development corporation has committed almost £1m for a project of 75 homes at Ottiers Lane, Vicarage Road, Stony Stratford, which comprises 50 flats for elderly couples in a two storey sheltered housing unit with communal facilities and warden's accommodation, and 44 two- and three-storey houses for families of between three and six people.

Designed by the corporation's North Milton Keynes Division, the buildings will be of traditional cavity wall construction with reddish facing brickwork and tiled roofs. Work has now started and completion is due in early 1980.

A housing contract covering part of the redevelopment of Lambeth Walk, Kennington, will provide a variety of dwellings, shopping schemes and open space. Here, the company will build sheltered accommodation for up to 68 elderly people in single or two-person flats in five storey L-shaped blocks. There will also be a two storey building containing communal facilities and warden's accommodation. Each flat will be centrally heated and have either a balcony or a patio.

Middle East building service

EXPERT GUIDANCE for British companies wishing to extend their business in building and civil engineering markets in the Middle East is the promise of a group called Middle East Building Service.

Offices for the group will be in Jeddah, London and Manchester, and will aim to cope with a two-way flow of enquiries and offer a full administrative service to companies joining the project as well as act as an expert link for them between the Middle East and their British base.

The project is supported by the National Enterprise Board which has declined to state the extent of its financial backing.

More from The Builder Group, P.O. Box 135, 4 Catherine Street, London WC2B 5JN (01-836 6251).

Protecting Sheppey

SWALE Borough Council is spending £3m over the next three years with Taylor Woodrow Construction on the project to protect Minster cliffs from erosion by the sea, a process which has been causing considerable concern to dwellers in local cliff-top homes on the Isle of Sheppey.

Piling and concreting work has started and the company is constructing sea walls and groynes and regrading the cliffs on the basis of a survey carried out by Lewis and Duvivier.

The 1,000-metre sea wall is being constructed in reinforced concrete with a sheet-steel piled base backed by a mass concrete flood wall.

Swiss plan Jordan town

THE JORDANIAN Government has just commissioned Swiss architects and engineers, Schindler and Schindler of Zurich, to provide plans for a completely new town near Amman, Abu Nuseir.

The plans will include all the necessary buildings as well as the infrastructure for the town which is intended for 40,000 inhabitants with low or moderate incomes.

Jarvis to extend V & A

UNDER a £1.4m contract from the directorate of ancient monuments and historic buildings of the Department of the Environment, major alterations to the Henry Cole building at the Victoria and Albert Museum in South Kensington, are to be carried out by Jarvis.

The Henry Cole building was opened in 1876 as a science school and has been recently vacated by Imperial College. Because the prints and drawings department of the museum urgently requires extra space, the lightwell in the former science school is to be filled by a concrete structure to provide nine floors within the height of the five lofty floors of the conserved Henry Cole building. A lecture theatre on the ground floor of the lightwell is to be demolished and adequate lecture accommodation already exists in the V and A.

The company will also renovate five floors and carry out adaptations to the Henry Cole building immediately behind the stone screen of the museum fronting on to Exhibition Road, a two storey building will be constructed which will link the new nine storey building to the ... and provide a new additional entrance for the public.

£3m Qatar reservoir

THE Ministry of Electricity and Water for the State of Qatar has awarded a £3m contract to Wimpey Offshore Construction (in joint venture with Arabian Construction Engineering) for a reinforced concrete reservoir at West Bay, Doha.

The contract comprises the construction of the 27,500 cubic metres capacity service reservoir, pumping station, chlorination station, standby generator station, associated pipeworks, and miscellaneous site works.

Technical News

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

● METALWORKING

Easy cuts by laser

DEVELOPED by Messer Griesheim is a high-performance carbon dioxide laser cutter with continuous output powers up to 1,000 watts mounted on one of the company's guided cutting gantries.

At one end of the gantry is a photoelectric following head which traces out the cutting pattern from full-scale drawings or templates. Following an identical path at the other end is the laser cutting head. The workpiece remains stationary—an advance, it is claimed, over most of the currently available machines in which the work is moved on an X-ray co-ordinate table. The new design results largely from the fact that the weight of the cutting head is only 100 kg.

The machine can be supplied with a 250, 500 or 1,000-watt laser depending on the thickness of material to be dealt with, and the guidance machine normally supplied will deal with sheet up to three metres wide in any length likely to be called for. But machines allowing over 10 metres of width are available to special order.

Sheet already formed (with a U-channel, for example) can be dealt with because the cutting head is kept at a constant distance from the work by a capacitive sensor system.

Thicknesses up to 20 mm can be cut by using a longer focal length and/or the higher power lasers.

A complete machine can cost over £60,000 and the company expects initial interest to be shown by display sign manufacturers where large letters and characters frequently are cut out by sawing and are then cleaned up and polished. Often they have to fit apertures in other plastic sheets, precisely. For reasonable throughputs, the company believes that laser cutting will show overall cost advantage.

Messer Griesheim is also hoping to create more interest among sheet steel fabricators who would otherwise use expensive, wear-prone punch tool machines.

A typical cutting speed with 1.5 mm sheet steel is 2,000 mm/min using an oxygen jet to speed combustion of the vaporised material from the kerf. This technique means that cutting speeds can be increased up to ten times in the case of fully oxidisable materials. For non-metallic materials the system uses nitrogen as a shielding gas.

More from the company at Prospect Avenue, Seaton Delaval, Whitley Bay, Tyne and Wear, NE25 0DP (0632 480140).

Deep hole boring problems, complicated by the fact that the long tubes to be drilled already had rows of cross holes drilled and tapped into them have been solved by a Gloucestershire specialist group. Requirement was to bore and hone a 76.2mm diameter hole in 2.5 metre long mild steel sprayer tubes to a tolerance of ±0.025mm, but after 46 cross holes had been made along the entire length. Normally, such deep hole boring jobs are carried out before other drilling, to eliminate possible damage to tools and distortion resulting from intermittent cutting. Tubeboring of Cheltenham overcame the problem by putting back the metal that had been removed—inserting into the radial holes threaded plugs to the right dimensions. Thereafter the boring operation was carried out as if in solid metal. After deep boring the plugs were removed to return the mild steel sprayer tubes to their original state. The company is equipped for all forms of deep boring and operates from Unit 4E, Industrial Estates, Tetbury, Glos. Tel: 0666 52826.

● PERIPHERALS

EMI bid at low end

WITH ITS SE1004 computer printer/plotter, EMI Technology is offering a fast, low-cost and reliable method of producing hard copy computer output in both alphanumeric and graphic forms. An extensive choice of hardware modules and software packages is also available to interface this electrostatic printer to computers and other data sources.

The SE1004 is an all-British 11-inch machine that is compatible with the Versatec printer/plotter.

User convenience has been a key design criterion for the SE1004 as well: it has virtually silent operation; paper loading and toner replacement are extremely simple; output format selection is rapid and uncomplicated; simultaneous print and plot is a standard feature; and high reliability results from the minimum number of moving parts.

Handler software is offered for DEC's RSX 11M and RT 11, and Data General's RDOS and RTOS. At the same time an interface is available to provide plug compatibility with up to six Tektronix 4000 range graphic display terminals, plus a DEC PDP11 or Data General Nova Eclipse if required. Furthermore, the SE1004 will accept data in Centronics compatible or serial (RS 232C) form.

Technical specifications of the new printer/plotter include a printing speed of 500 character lines per minute, a plotting speed of up to 1320 dot lines per minute, a standard ASCII 96-symbol 32-control-symbol character set, and a full range of power input options to meet all the accepted voltage and frequency ratings.

The SE1004 is marketed throughout Europe by EMI Technology—the marketing, sales and service organisation that promotes many of the EMI Group's electronics products through its principal centres in Europe.

EMI Technology, Data Products Division, SE Labs (EMI), Spur Road, Feltham, Middlesex: 01-890 1477.

Drives and digitisers

NEW introductions of microprocessor-controlled vacuum column magnetic tape drives and digitisers with local processing have been put on the market by CalComp.

The company is marketing throughout Europe 7, 8½ and 10½ inch drives made by Cipher Data Products of San Diego. Known as the 900X series, these machines offer tape speeds from 37.5 to 125 ins/sec and data densities up to 1600 characters/inch.

Using a Z80 microprocessor to control switched power to their components, the 900X runs relatively cool, generates less noise and consumes less power than many contemporary models, it is claimed.

The digitisers, designated 600A, are basically the existing 600 model with an added microprocessor controller. They provide local processing power without any intervention from the host computer and an optional video terminal with keyboard displays, processed data and programe instructions and provides operator prompting. The micro allows linear and area calculations, output data formatting and document skew compensation. More on 0344 50211.

● SOFTWARE

Commercial language on Zilog

COBOL is being offered by Zilog on its MCZ-1 series of micro computers. This means that commercial users, of whom 70 per cent operate in Cobol, will be able to employ these micros directly for their own purposes.

Users of Zilog's MCZ systems can compile and execute standard Cobol programs with performance and features that equal or exceed Cobol performance on some widely-used minicomputers.

Extended CRT control features like "Accept" and "Display" make interactive programming easier and well suited to data-entry applications.

A debug structure needing no special compilation provides interactive microcomputer program development; at the same time, sequential file access, indexed file access, random files, program segmentation, library, interprogram communication, and 18-digit decimal and binary data types are covered.

Zilog (UK), Nicholson House, Maidenhead, Berks. 0628 36131.

Data on new technology

ISOSTATIC pressing is quickly gaining ground as a method of forming metallic and non-metallic shapes from powder starting materials.

Involving the compaction of powders into a predetermined shape it works by applying fluid pressure through a flexible mould in a pressure chamber.

In cold isostatic pressing (pressing at room temperature) the pressed shapes or components have to undergo a sintering operation to achieve the necessary high density of the components and to meet mechanical strength requirements. The process is already used on a production basis in the manufacture of hard metal wear parts and cutting tools, powder metallurgy preform production in low and high alloy steels, production of ceramic structural components, plastic components, and in high-temperature materials.

There are many organisations in the production engineering field who have shown an interest in isostatic pressing, but feel that they are not sufficiently aware of the technology to purchase the capital equipment involved in research or production trials.

Powdrex of Golden Green, nr Tonbridge in Kent, is making available a high pressure cold isostatic press to anyone who wishes to carry out research work or to use it on a contract basis for production trials. The press, which was designed and built by Stanstead Fluid Power has a working pressure up to 130,000 psi (9kbar) in a working chamber of 3¾ inches diameter by 24 inches deep. The time taken to reach maximum pressure is less than two minutes, and the complete cycle time of loading, pressurising, depressurising and unloading takes no more than five minutes.

Powdrex at Crystalate Works, Golden Green, Tonbridge, Kent. Tel.: Hadlow (073 279) 771.

● PROCESSING

Desalting complexes

FOR THE world's largest industrial desalination plant based on reverse osmosis, construction of which will start in Algeria this year, the Du Pont fibre technology will be used to turn 12m gallons a day of brackish surface water into an acceptable processing medium.

Mostanagem is the site of the plant, next to a paper mill operated by Sté Nationale des Industries de la Cellulose, which will use the treated water when the purification plant comes on stream later in 1979.

The Algerian company is buying the plant — costing several million dollars—from Degrémont of Paris, which is among the world's largest water treatment specialists, and will install and initially operate it.

Permasep separators, based on bundles of fine hollow fibres of aromatic polyamide material, are long-lasting and their internal structure permits the passage of large volumes of treated water.

These Du Pont devices are also being used in what will be the world's largest plant for the production of potable water from salty sources now taking shape at Riyadh, Saudi Arabia. On completion, expected for some time in 1979, the plant will be able to supply 58m gallons of water a day.

The largest industrial desalination plant working by reverse osmosis now in existence is in Japan, providing 4m gallons a day of water for a steel plant.

More details of the Permasep material and its applications from Du Pont (UK), Breams Buildings, Fetter Lane, London EC4A. 01-242 9044.

Water jets strip coats

REMOVAL OF old bonded rubber linings from process vessels has proved difficult by mechanical methods, and the alternative method of burning is environmentally unacceptable and may be hazardous because of the risk of minor explosions caused by the build up of gases.

Said to be safe, with no threat to the environment (there is no burning or production of noxious gases) is F. A. Hughes' JETIN high pressure water jetting equipment.

The nature of the rubber used as linings varies greatly from very soft to very hard with many different properties and the pressures, volumes of water and type of nozzle to be used must be selected to meet varying conditions. Because of all the variables, says the company, there cannot be an accurate guide to the removal rate of rubber, but perhaps in a "medium" situation it would be reasonable to expect a removal rate of 1 square metre in about 15 minutes.

Large surface areas are stripped using fan jets of 30 degrees angle, and their cutting or peeling effect is determined by the distance the nozzle is held from the surface which in turn affects the width of swage cut and, consequently, the rate of removal.

The company has also devised a method of introducing abrasives to its high pressure water jetstream in order to tackle tough coatings used on underwater structures and bring to light critical welds for inspection at depths as far down as 200 feet.

F. A. Hughes is at Blenheim Road, Longmead, Epsom, Surrey (Epsom 25201).

Laminating no problem

EPOXY ADHESIVE for laminating vinyl to chipboard has been developed for Cabinet Industries by National Adhesives and Resins. Important is that the wet adhesive can be dispersed with water from metal application rollers.

Cabinet Industries required an adhesive that exhibited low tack on the glue application roller but developed it fast enough whilst wet to eliminate surface defects when the two layers are brought together. Common problems are that pieces of loose chipboard on the leading edge of the panel are transferred to the glue line causing "pimples" in the laminate, or that other surface imperfections such as "tramlines" or "orange peel" effects occur when the substrates are joined.

On the production line Cabinet Industries required clean running of the adhesive on the glue roller to allow trouble-free laminating with limited operator attention. Fast curing of the adhesive, to permit early handling and rapid machining—with consequent economies, was a further stringent requirement.

A three month development programme aimed at meeting these criteria has resulted in the production of the new epoxy adhesive that gives both trouble-free machine running and quality laminates, using a wide range of vinyls of varying thicknesses. The glue layer of epoxy creates a hard film between the pvc and chipboard, reinforcing the chipboard surface and helping to prevent subsequent marking of the pvc when in use.

Cabinet Industries is planning to offer a laminating service to the trade, as well as its normal cabinet customers in Britain and Europe, based on this new departure in laminating practice. It will lead to the use of pvc as a decorative finish in areas where it has not previously been used, the company anticipates.

National Adhesives and Resins is at Slough (0753) 33494. Cabinet Industries on 01-531 3811.

● INSTRUMENTS

For bench or field

PORTABLE multimeter from Systron Donner is available with a choice of DC accuracies of either 0.02 or 0.05 per cent and with a choice of current or dBm measuring mode.

The meters can measure DC voltage from 10 microvolts to 750 V in five ranges, AC voltage also in five ranges up to 750 V, and resistance from 0.01 ohms to 20 megohms.

Accurate measurements can be made of triangular, square or distorted sine waves because the instrument uses a true RMS converter. On all the models a choice is offered of manual or automatic ranging.

If desired, the meter can be offered with calibration from −60 to +60 dBm in five manual ranges. The facility is particularly useful in checking long distance voice circuits, and is provided in place of the five DC and AC manual current modes covering one microamp to two amps.

More from the company at St. Mary's Road, Leamington Spa, Warwicks (0926 35411).

● COMPONENTS

Power unit belt driven

A PACKAGED power transmission unit with an enclosed belt drive has been introduced by Drivegard, Honley, Huddersfield, West Yorkshire (0484 662226).

Any flat or vee-belt drive can be factory fitted into the robustly constructed totally enclosed casing, says the company, so that the transmission unit need only be mounted on to the shaft and the belt tensioned to become fully operational.

Units fitted with electric motors from 1 hp to 5.5 hp are available.

هكذا من الأصل

The Executive's and Office World

EDITED BY CHRISTOPHER LORENZ

Francis Duffy explains how a much more positive approach is being taken to property conservation

Building a reputation for make-do-and-mend

CASTING one's eye to heaven is a tricky business in city traffic but it does have one great reward: estate agents' signs, dirty windows, and perpetually extinguished lights reveal how much office space is standing empty. And a disproportionate amount of this emptiness is in older buildings. New office buildings still seem more attractive to prospective tenants despite relatively high prices and questionable utility. And yet the older, smaller, more down at heel office buildings still form the vast bulk of office property—and the very fabric of our inner cities.

Ten years ago there would have been no hesitation. Tear the old buildings down and redevelop would have been the obvious course of action. Now the conservation movement, powerfully aided by a depressed economy, is more likely to lead to a policy of make do and mend, with perhaps the occasional spectacular scheme of refurbishment. An obvious example is the Coutt's Bank project in the Strand (Frederick Gibbard and Partners): here the façade is retained but practically everything is renewed behind it.

More loved

Conservation is a powerful movement. Old buildings are more loved and more vociferously protected than ever before. We should be grateful, since the experience of post war rebuilding has often borne out the layman's fear that a new building is always inferior to what went before. But conservation has acquired a less negative and less protective aspect which begins to sound very like a feasible policy in its own right.

SAVE provides an excellent example of this. Far more important in my opinion than this young movement's spirited but unsuccessful campaign to keep the Victorian splendours of Mentmore intact, was its report on the provision of offices for central and local governments. Its conservation proposals have important implications for all office users, commercial as well as government.

Growth, new departments and local government reorganisation inexorably increases the demand for office space for bureaucrats. Why should this demand be met by expensive new buildings when "high quality office space can be provided by conversions, adapting or improving existing buildings at a considerably lower cost?" With considerable flair, much thoroughness and some telling statistics SAVE cuts a wide swathe through the accommodation policies of government departments and local authorities as far afield as Hillingdon and Argyll. Great stuff for the headline writers, but behind them is a serious message—old property is a resource which is cheaper and can be used at least as effectively as new buildings.

It is odd that the official response to SAVE's attack has been so tight-lipped. Several very basic arguments could have been made against SAVE's proposition that reused space is always better than new.

Refurbishing costs are not *always* lower than rebuilding: a lot depends upon the state of the property, as every owner of a crumbling stately home knows very well. Moreover, *office refurbishment* costs are notoriously hard to compare with building costs, since some items like furniture and carpets have a short life span, while other building elements like structure and windows are meant to last for a long time. Sharp distinctions between the two are not always drawn, even by building owners and quantity surveyors. SAVE's analysis takes no account of this difference.

Location is not taken into account by SAVE—a factor which is so important in office planning that the grouping together of certain departments *in one place for efficiency*, and within easy access of public transport to make recruiting easier, could very well justify a new building on a new site.

Space use is not considered: older buildings have certain physical characteristics such as an accumulation of small rooms which are a direct result of the form of construction and cannot be knocked into each other. These are formidable constraints in office planning and might very well rule out certain kinds of layout or make certain working relationships unattainable. Moreover older buildings are often extremely inefficient in providing usable office space. Well planned new buildings should provide more usable space, better serviced with few wasteful lobbies and corridors.

The atmosphere of buildings is disregarded: old buildings might symbolise management philosophies, bad old ways against which a new style local authority (or a new management team) might be reacting firmly and finally. Unimportant status distinctions, such as rooms of varying sizes for various levels of management, might have become established in the fabric of an existing building almost in the way that dry rot infests an old house. Moving into new premises might be the only effective cure short of fire and the sword.

Like any new start, a new building may be highly desirable for all sorts of reasons. I am sure that SAVE did not intend to interdict all new building for all time. Nevertheless *its report is extremely valuable* because it draws attention to a neglected truth—new buildings are relatively few in comparison to the vast stock of existing office accommodation. The real problem for users and designers is less to plan new buildings than to use what we *already have more effectively*.

Take small businesses, for example. Small firms with limited financial resources but a great deal of energy can make use of property which would be impossible for other users either because the lease is too short or too uncertain, or because the *shape of the space is inconvenient*, or most commonly of all because it is so far below accepted standards of convenience or cleanliness that only inspired do-it-yourself could make occupation possible.

Far removed

This is why old mills in Lancashire and old warehouses in London are at this very moment being lovingly converted for use by small enterprises. Like attracts like: small entrepreneurs find the spaces which suit them best. But this concept is far removed from the cautious *risk-taking of conventional property development*.

Or take another example: the typical firm of medium size and middle age which is accommodated in several older buildings of varying degrees of inconvenience. Very probably a new building, custom built or leased, is out of the question on cost grounds. The property experience of such a firm is typically a continuous succession of adaptations and renovations, a long drawn out attempt to make the best of what they have already.

The reputation of old offices would be improved if small and medium sized businesses realised using such accommodation requires as much if not more creative design effort as the cool and sophisticated layout planning which is thought to be necessary in new office buildings. Space needs to be matched against requirements whether a building is old or new.

What would advance SAVE's arguments enormously is a general understanding that such a design effort can be packaged. Buildings have physical properties which can be measured—they have typical room sizes, typical room depths from window to corridor, typical entrance halls, typical numbers of storeys. The building history of this country is, on the whole, highly standardised. Old warehouses, old office buildings are often as consistent in floor plan as Georgian terrace houses.

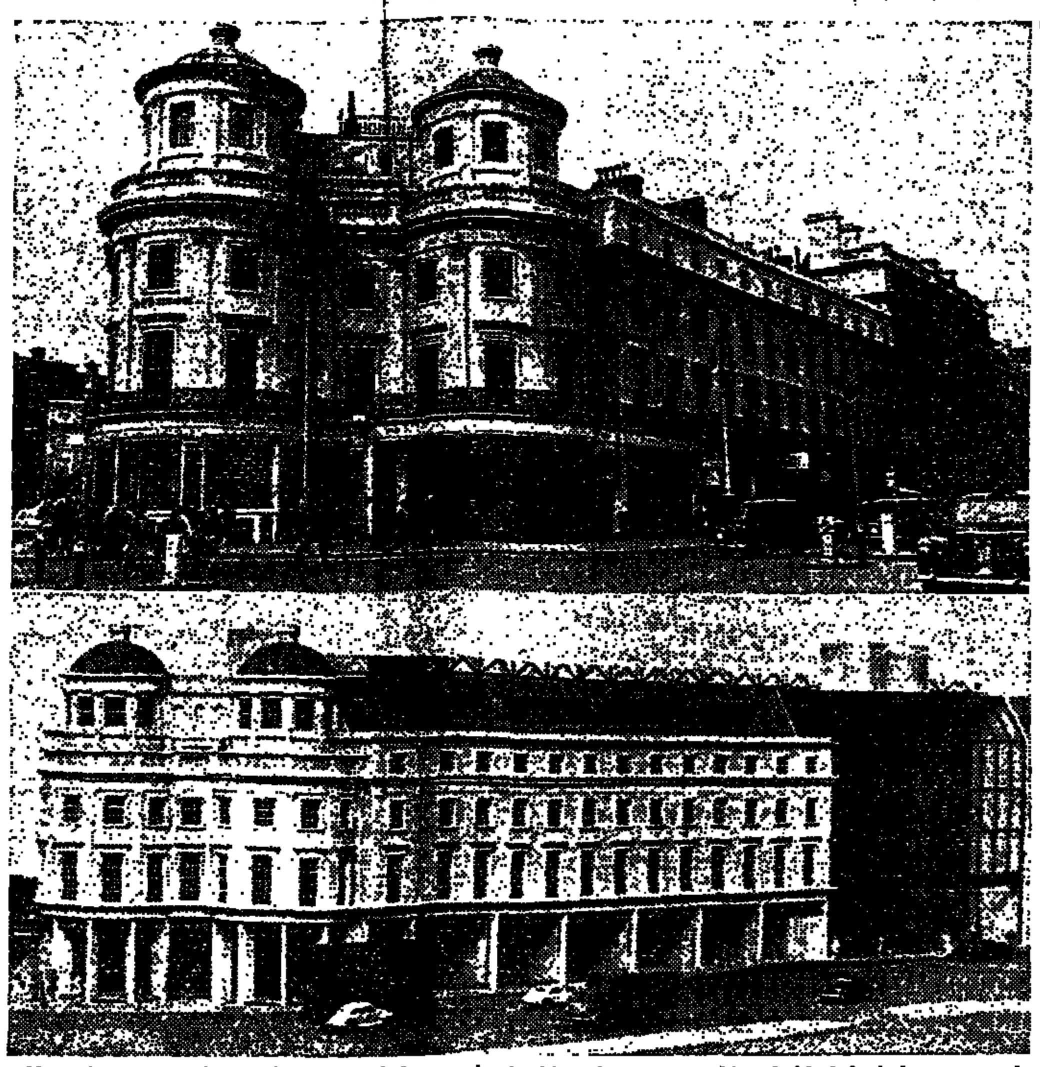
The generic qualities of these properties are vital because they can very easily be matched against equally typical user requirements. Small impoverished enterprises as well as medium-sized businesses have a range of requirements which is not too wide: they tend to need rooms of certain sizes, typical office depths, typical entrances and above all have typical financial resources. Such requirements can be catalogued and matched against the kinds of space that are available.

Of course, this is heresy: heresy to architects who tend to argue that each client is unique, and double heresy to developers, whose bias is towards assuming that all user requirements known to man can be met by the standard 40 ft deep new speculative office. Either way it is an excellent heresy, since it can make possible the far more intelligent selling of space, based on its capacity to accommodate, as well as its location and price; better decisions by management in choosing space which is appropriate to their needs; and, ultimately, development strategies which would take into account the enormously rich resource of spaces of various kinds in our existing older buildings.

Perhaps it is significant that this kind of thinking first arose when attempts were made to use dilapidated premises in inner cities. It is here that resources are scarcest and the problems of making do with what exists are the greatest: it is also here that conventional planning and developmental strategies came most spectacularly unstuck in the early seventies. SAVE's excellent work in drawing attention not only to the picturesque quality but also to the utility of existing buildings goes beyond conservation. It points the way to better use of all buildings both old and new by relating their shape to their likely use.

So do not walk through the city streets with your eyes cast down. These empty properties above eye level probably have their uses: can be made to work for someone, provided the right way to develop them can be found. This should be good news for those of us—and we are the majority—who do not require 50,000 sq ft of prime air-conditioned space opposite the Bank of England. It should also be good news for those who love the fabric of our cities.

Francis Duffy, ARIBA, is a partner of Duffy Lange Giffone Worthington, designers and space planners.



How the facade of Coutt's Bank is being retained while almost everything behind is being renewed.

Bank's advice to small firms

A DIRECT mail shot by the Bank of England is an unusual event. The decision to buy a mailing list and to send out 80,000 free copies of its new guide to business finance* is therefore a good indication of the importance which the Bank attaches to its potential audience among the small to medium-sized companies in the UK.

It is accepted wisdom by now that there is a gap in the information available to the smaller companies about the sources of finance which are available to them and about how they should set about tapping the lenders. The issue was first raised in the Bolton Committee report in 1971 and since then a growing volume of mainly anecdotal evidence has underlined the problems faced by the small company sector.

Priority

The activities of the Wilson Committee on the financial institutions have again brought the issue to the fore, and a number of efforts have been made to bridge the gulf which clearly exists between the down-to-earth businessman and the remote financial forces of the City. The Bank of England's decision to move into the field, in association with the City Communications Centre, emphasises the priority which is being given in the highest City circles to easing the path of the small businessman.

The fact that this newspaper has already received many phone calls and inquiries since the release of the Bank's new book is some indication of the probable demand. This will no doubt be more than duplicated among other outlets and particularly in the branches of the big banks, which have taken a large number of copies for distribution to their customers. The book is being made available to small businessmen free of charge — though additional copies may cost £1—and this may also help to encourage its wide distribution.

It is important, though, that the small and medium-sized businessmen should understand what is being offered. The new book, like other guides, should help them in their financial decision-making. But it will not provide the complete answers to their problems. It is one of the main themes of the book itself that a guide of this kind can be no substitute for seeking the right kind of professional advice.

The businessman must also accept that, even when expressed in non-technical language, a description of the wide variety of forms of finance on the market and of the approach required to take the best advantage of them can be pretty heavy going. The book, however, will repay study for any businesman thinking of setting up a new operation, expanding an existing company or simply looking for an alternative source of funds.

It provides in its final section a comprehensive list of the various sources of finance. These range from the accepting houses — the top flight merchant banks — other merchant banks and the big clearing banks through a whole spectrum of other institutions including foreign banks and a wide range of specialist lenders.

The Bank has not attempted to draw distinctions between the individual banks and institutions in particular categories—though its section on the companies which are prepared to offer development capital gives some indication of the kind of propositions in which they would be interested—but it does bring together the names which might be useful to a borrower.

The essential background to this list is provided by the earlier chapters. The first part of the book underlines the need to understand the appropriate use of the different types of finance and describes in general terms the range on offer. "Each type of finance," the book comments, "can be particularly appropriate for some situations but can be quite inappropriate for others."

Perhaps the most useful function of the book, though, may be to bring home what the businessman himself may be required to do in order to gain access to the right kind of outside finance.

* *Money for Business; Bank of England and City Communications Centre; available from the Public Information Division, Bank of England, London.*

Michael Blanden

Understanding finance

A MANAGEMENT report has been produced by the Institute of Personnel Management which aims to provide managers with a basic understanding of accountancy practices as well as advice on how to present financial information to employees and how to train them to receive and understand facts about their company's financial position.

The Employment Protection Act places a duty on employers to disclose information for collective bargaining purposes and an ACAS Code of Practice provides guidance on what should be disclosed. Furthermore, it has become good industrial practice in today's social and economic climate to keep employees informed on what is happening in the organisations in which they are employed; they expect to be consulted and able to participate when decisions are being made which will affect their future working conditions, remuneration and security of employment.

The Disclosure of Financial Information to Employees, by D. M. C. Jones, IPM, Upper Woburn Place, London WC1. £10, plus 65p postage.

LOMBARD

The election and the economy

BY SAMUEL BRITTAN

THERE ARE some ways in which the coming General Election is reminiscent of 1970 and others in which it is more reminiscent of 1959. The more technical parallels are with 1970. The Wilson Government of the time had previously suffered severe economic crises and had been forced to devalue. But the economy seemed to have recovered to an unexpected degree and Labour was set fair for another win—which to the surprise of nearly all pundits and pollsters it failed to achieve.

In other ways, however, the mood is more like 1959, when Mr. Harold Macmillan won the election with an increased majority. Then as now a Prime Minister with a conservative and unflappable image was going to the country in the autumn.

In both cases the Prime Minister appeared mainly interested in global statesmanship, treating the election as a little local difficulty to be put behind without effort or strain.

The parallel with 1959 will be more to Mr. Callaghan's taste and that with 1970 more to Mrs. Thatcher's. But no two years are exactly alike; and it is better to ask whether there is a more general theory which can give some clue to the outcome this autumn.

A theory of political trade cycles has been quite fully developed. In simple terms, it states that elections are held in a period of boom in which real income, and perhaps output too, rise much faster than the longer term trends. The inflationary effects of the boom and the subsequent corrective recession do not come until after the election. The first part of a Parliamentary or Presidential term is therefore one of stagnation, while the last part is one of prosperity.

Esoteric plane

The existence of these political cycles is in not dispute among U.S. academics. As usual, econometric techniques have not resolved the argument, but simply transferred it to a more esoteric plane. The real reason for the hostility generated by the political cycle theory is that it seems a threat to the notion of rational Chicago man. For it suggests that the electorate is fooled by a boom which cannot last and that it does not learn from experience.

In the UK in the 1950s and 1960s, the best political predictor was the unemployment rate — presumably because fairly small variations in it were a good guide to the state of the business cycle. But with the secular jump in the number of workless, this relationship has broken down hopelessly. The best guide now is the movement of real personal disposable income—that is the standard of living, excluding the so-called social wage.

The table shows that the Conservative election victories of Eden in 1955 and Macmillan in 1959 were achieved when real personal incomes were rising rapidly. When the Conservatives lost in 1964, real incomes were rising only a shade above the average for the period. Even so the Home Government surprised political observers by the narrowness of its defeat.

The first real difficulty for the theory came in 1970. Labour's surprise defeat occurred despite

Years	Political event	Real personal disp. income % increase annual rate
1951-64		3.5
1954-55	Cons Govt wins	4.7
1958-59	Cons Govt wins	5.1
1963-64	Lab defeats Cons	3.9
1964-70		2.0
1969-70	Cons defeats Lab	3.7
1970-77		2.4
1973-74	Lab defeats Cons	2.6†
1977-78	?	5.4*

* National Institute estimate
† 1st quarter on 1st quarter
Source: Econ Trends

a growth of real incomes substantially above the average for the period. Mr. Heath's 1974 defeat provides little evidence either way. Real incomes were rising at an average rate: and in any case the confrontation with the miners dwarfed all other issues.

Will the political trade cycle fail to work in 1978, as it failed in 1970? Two crucial differences between the two years should be noted. One is that the estimated rise in real personal disposable money is much larger now than it was then. Thanks partly to North Sea oil it is of more than Macmillanesque proportions. Secondly, Labour suffered from rising prices eight years ago. Although the actual rate of inflation is greater to-day, it has been coming down sharply, whereas in 1970 it was rising to new heights.

The result of the 1978 election will not be a decisive test of the political trade cycle theory. For if the Conservatives win, it could be due to other factors, such as the collapse of the Liberal vote or other non-economic issues, offsetting the benefit to Labour of the cycle. If Mr. Callaghan wins, it would not mean that voters were necessarily fooled by a few months of prosperity. Voters might still prefer Labour even on a realistic view of the longer term trend of real incomes. These qualifications being made, it is still in Labour's interest that the political trade cycle should work and in the Conservative interest that it should not.

THE WEEK IN THE COURTS

Employer's liability for a servant's dishonesty

BY JUSTINIAN

IF THE owner of goods leaves them with another person to look after, who then fails to produce them when they are wanted by the owner, it is a reasonable inference that, in the absence of any explanation, they have not been looked after properly. The law sensibly adopts that approach and provides that the person with whom the goods were deposited has to show that he has not been negligent.

A reminder of that simple proposition came from the Judicial Committee of the Privy Council last week in a case from Malaysia, *Port Swettenham Authority v. T.W.W. and Co.** *In that case the port authority* had received cases of pharmaceutical goods shipped from Hong Kong to Port Swettenham (Port Kelang) in Malaysia. On the known facts the cases had been stolen, and could not have been stolen without the misconduct or negligence of the port authority's servants employed to keep the good in safe custody. That, one would have thought, would have been that. But lawyers are nothing if not ingenious or, some would say, disingenuous.

Precedent

It was argued that any dishonest (as opposed to careless) act by a servant employed to take care of goods was necessarily outside the scope of his employment, and that the master could not be held liable for a servant's dishonest act unless it was done for his benefit or with his knowledge. That argument rested on an old precedent that said that if the servant, sent to perform the duty of guarding goods, performed it so negligently that thieves could readily steal them, he was liable; but not if the servant joined with the thieves in the theft. That somewhat startling precedent has finally been swept away.

Why is it that the law does not allow the employer to escape liability for the dishonesty of his employees? After all, can we all be our brother's keepers, including those we employ? The answer to that question was effectively dealt with in a case in the House of Lords in 1912.†

The opening words of Lord Macnaghten's judgment in the 1912 case sets out the facts in a delightfully written judgment. "In the office of Grace, Smith and Co., a firm of solicitors in Liverpool of long standing and good repute, the appellent, Emily Lloyd, a widow woman in humble circumstances, was robbed of her property. It was not much, just a mortgage for £450 bequeathed to her by her late husband, and two freehold cottages at Ellesmere Port which she bought herself without legal assistance for £540 after her husband's death. But it was all she had, and after the order of the Court of Appeal reversing a judgment of Mr. Justice Scrutton (who tried the case with a special jury) she was compelled to appeal to this House as a pauper."

Conclusion

The effect of this simple opening was to anticipate the crushing conclusion of the Law Lord, after setting out the story of the easy-going solicitor ("a gentleman devoted (as he says) to public works, meaning by that I suppose, that his proper business as a solicitor was a matter of secondary consideration with him") and of the clerk who tricked Mrs. Lloyd into conveying her property to himself. Lord Macnaghten then proceeded to say that it would be "absolutely shocking" if the solicitor were not held liable for the fraud of his agent in the case. When Mrs. Lloyd put herself into the hands of the firm, how was she to know what the exact position of the clerk was? The solicitor "carried on business under a style or firm which implies that unnamed persons are, or may be, included in its members. The clerk spoke and acted as if he were one of the firm. He points to the deed boxes in the room and tells her that her deeds are quite safe in "our" hands. Naturally enough she signs the documents he puts before her without trying to understand what they were. Who is to suffer for this man's fraud? The person who relied on the solicitor's accredited representative, or the solicitor who put this rogue in his own place and clothed him with his own authority?"

With that telling precedent in mind, the judges have not found much difficulty in saying that anybody who is entrusted with the safe custody of property, whether he does so for gain or gratuitously, has the burden of proving that the loss of the property was not caused by any fault of himself, or his servants or agents to whom he entrusted the property for safekeeping. *And it cannot make the slightest* difference whether the servant or agent stole the property himself, or was just careless in looking after them.

The only qualification of this simple rule is that, if the theft is committed by a servant who has not been entrusted with the *safekeeping of the goods,* then the employer may not be liable. If, for example, a furrier had sent a customer's mink stole to a firm of cleaners and it was lost by them, the firm would be liable for its loss if the stole was stolen by an employee whose duty it was to clean it.

Opportunity

It will always be a nice question whether the employment merely provided the opportunity for the theft, or whether the theft was committed as part of the task on which the employee was engaged. If the theft is committed by an employee to whom the goods have not been entrusted, the theft is outside the scope of his employment, and the employer is not responsible, unless of course he had been negligent in employing the servant in the first place. The employment in a security firm of a man with a long record of fraud could, for example, not excuse the employer, were that employee to steal anything of the employer's customers. And if the theft was in some way induced by the employer by his own negligence, or by the negligence of some fellow employee to whom the property had been committed, the employer would be liable.

* Times Law Report, June 21, 1978.
† Lloyd v. Grace, Smith & Co. [1912] A.C.716.

WIMBLEDON REVIEW BY JOHN BARRETT

The boy who wanted to become the best

HE SAID it totally without conceit: "I want to become the best player in the world." It was a simple statement of ambition. I had just congratulated 16-year-old Bjorn Borg on surviving dangerously to win the 1972 junior event at Wimbledon, 6—3, 4—6, 7—5, against Buster Mottram, who had served for the match in a tense final set.

It was obvious then that the shy youngster with the now familiar sloping shoulders and rolling gait had an unusual temperament. In the crisis of that match, young Borg displayed a nerveless command that we have come to recognise as the special feature of his phenomenal success.

In the game's 100 years there has never been so precocious a talent. Still only 22, Borg has already claimed three French championships (the first in 1974, days after his 18th birthday), two Wimbledon, and two Italian titles, three consecutive U.S. Professional championships, and the World Championship of Tennis crown.

This record easily surpasses the exploits of the Australian tennis "twins" Ken Rosewall and Lew Hoad, in the 1950s.

Now that Borg has achieved that boyhood ambition (he was an almost universal choice as the world's No. 1 on last year's performances), what peaks are left to climb?

"I shall be back next year trying to win a third Wimbledon title," he had said after last year's dramatic final against Jimmy Connors. And a fourth, and a fifth—according to his coach and mentor, Lennart Bergelin, who has played so large a part in the development of Borg's game and character.

Borg and his coach are also mindful that the U.S. Open title has still not been captured.

Bergelin, a contemporary of mine as a player in the 1950s, and always a shrewd match player, started working with the boy when he was 13 and was captain of the Swedish Davis Cup team when Borg came into the side two years later.

Borg's [illegible] win over New Zealander Onny Parun, who had [illegible] a superbly fit and nimble athlete. No opponents can excel [illegible] when the first two sets of the decisive rubber, still ranks in his endurance, and few can [illegible]

Bergelin's mind as a landmark. "I knew then that Borg's ambition, determination and application were something special," he remembers. "Bjorn had the ability to lift his game when in trouble. He was so cool—it was remarkable."

There are technical reasons why Borg is outstanding. Through a mixture of luck and relentless application, Borg has developed unusual shots that enable him to reduce the game [illegible] to logical [illegible]. Borg [illegible] learned to play with his father's racket (a prize from a table tennis competition) before he was 10. Borg needed to use two hands on the backhand. His natural inclination to make unnecessary errors led him to hit the ball with top spin on both sides for control.

His original coach, Percy Rosberg, and later Bergelin, had the sense not to interfere with [illegible]

Relentless

Consequently, the end product, forehand and backhand, [illegible] different from every other player's. The ball hit with tremendous power and top spin, [illegible] Every opponent finds it difficult to maintain a good length, and volleys are a nightmare. Not only is the direction of Borg's shots difficult to pick, but the pace and spin make them difficult to control on the racket.

Borg plays with a delightful simplicity. With relentless consistency he gets the ball over the net and into court with a huge margin of error, and [illegible] unnecessary risks.

An insatiable appetite for daily practice has helped make Borg [illegible]

[illegible] match the pace of the court. They are driven to distraction by his patience and usually try to attack against [illegible] coming to grief on the accuracy of his defensive play and [illegible]

Provided he is mentally fresh, Borg on this day has become invincible as he proved in Paris last month by devastating the best hard-court players in the world without losing a set. [illegible]

That is the public side of Borg. The private person is equally straightforward and universally popular among his peers. He retains his youthful ambition [illegible] with a racket [illegible]

WORLD CUP BY ANDREW CLAIRE, Buenos Aires, June 25

The magic the television could not capture . . .

THE FACT that at least one British journalist has been using the miracle of the 10-second telephone link between Buenos Aires studio and London to ring his office and check who scored the goals, proves my starting point: that television watchers have been seeing more of the games.

Colour transmission, instant replays, slow-motion reconstructions, dotted lines, so I gather, to trace the path of significant shots . . . all provide a dimension to be envied by those of us who have been confined to the steep walls of the stadium, or peering up at the ceiling-sited black and white screens of the press centres.

So, now this eleventh world Cup is done, and we Soccer writers return home, your view on the football will be as valid as ours. But a World Cup is not all about football; it is a total experience that cannot quite be felt in the most comfortable armchair placed before *the most sophisticated screen.*

We will discuss the salient shots of this tournament, and I shall declare an admiration for the blistering pace achieved by Argentina's Kempes from what seems a totally inadequate run up and swing; and you may justifiably argue that his bombardment did no more damage than the 30-yarders of Rep that sent Scotland home, or the startling drives from Haan that cut down West Germany and then Italy.

But there were no television cameras where I came upon a reconstructed 200-year old mud-walled fort miles south of Buenos Aires, lost in the pampas. I was let in by a man with the sort of face that the palisades were *built to keep out* . . . and whose Indian caretaker showed me boredly around the adobe sleeping barracks, the rusting cannon, the wooden watch towers.

We shall get around, certainly, to comparing goalkeepers, the gangling German Maier and his monster gloves and massive unconcern; the languidly handsome Leao, who runs refresher *courses for referees* between saves; the superbly athletic Italian Zoff, who probably made his best saves look needlessly difficult and was no less brilliant because of this vanity; and the quite dotty Peruvian Quiroga, booked for a foul tackle in the opposition half.

But what can you have to compare with Carlo Paz? That is a place you do not go to, but arrive at, as I fall into going across a plain near Cordoba, there is suddenly a valley and in it a lake, and around it a tiny holiday resort that ought to be closed for winter, except that this is World Cup year.

And in a cafe run by a Uruguayan who speaks a Brooklyn cab-driver's English you find men of all nations have fallen one night into Carlo Paz. Just looking at them you can tell where they come from; except half the time you'd be wrong. The moustachioed mountain who looked like Sydney Greenstreet and was doing a matador's dance like a sylph was Mexican without doubt. But his partner, making the bull-like rushes with equal [illegible], you know came from Hamburg, and you eventually hurtled beneath a table, and may be there still.

Total bedlam

The giant in a kilt was a Polski and had not enough English or Spanish to explain how he came to be so dressed, but his adopted nation would have been proud of his capacity to drink native whisky; and three Dutchmen wearing Argentine football shirts did a splendid [illegible] lost the country would lose the final; and a lovely Argentine lady in a Dutch shirt came over to say she had just got engaged and did anyone known enough Dutch to find out about this place Utrecht where she would be living?

Total ear-breaking bedlam. Until two young men came in and asked permission to play. One looked like an Apache and had a *guitar under his poncho,* the other wore jeans and played a thing called a charango, which is made from the shell of a desert armadillo, and his fingers seemed about a foot long. For the rest of that night these two troubadors from the Andes played the songs of a dozen nations and 200 drunks stayed spellbound. When it was nearly dawn they accepted a drink, refused any form of fee, and left. That, too, was part of the World Cup.

We shall talk about the managers, and in exchange for my stories of how coolly Coutinho handled the batting Brazilians who loathe him, and how adroitly Menotti manipulated questions to place Argentina in a light that made them gleam purely, you can counter with descriptions of televised close-ups of Ally Macleod's final second of despair, of Helmut Schoen's faraway, fatalistic stare—a Rommel after Alamein—as the champions drifted into the desert of the defeated.

But you had to be standing within a yard of Gordon McQueen to sense the pain of a man who was injured and condemned to sit and watch his side humiliated, and who will never believe other than he could have put it right. "I didn't play in a single game, *and yet I felt every kick.* You know how that's like, your legs jump and twitch as you see the moment you'd have made the tackle, or gone for the header you knew you would have reached."

The hurt of players who rehearsed for four years and then never set foot on stage, that's part of the World Cup, too.

We can exchange views on the strategies and techniques of this tournament. Did the Brazilian Dirceu's free-kick goal really dip and bend? I saw *it only once and still rub disbelieving eyes* . . . though I gather at home it is a television classic. How clearly did you see that it was the gifted Luque who began that confrontation with Brazil by trying to maim everything that moved? Those not limited to what a lens picked up have no doubt . . . only a total mystification about the use of [illegible] a talent in such a role.

Yet when, in coming years, people talk to me of Argentina 78 I cannot be sure that my first mental image will not be *of something quite peripheral to the play.*

Like the traffic: the apparently suicidal anarchists behind every steering wheel in Argentina obey only one rule . . . if the front of your car is not dented, the accident cannot be your fault. Absurd, yet it works.

Or the unexpected pride. Flying over Cordoba one night, our plane banked and the captain came on the intercom: "Look to the left, please." We did. In a totally black velvet night the soccer stadium stood out, a piercing emerald green, four miles below. "I hope you remember the beauty of our country." For one, will not forget.

RACING BY DOMINIC WIGAN

Barbablu for Wolverhampton

NO WINNER came home to greater applause at Ascot on Saturday than Indian Mark and a quick glance at the racecard quickly told anyone perplexed by this just why. The useful, though far from smart, veteran of the four-runner field is trained by 86-year-old Mrs. Jane Dingwall, who was achieving her first Ascot success in about 40 years.

Mrs. Dingwall, who trains a handful of horses under what many would consider somewhat unorthodox conditions beside her filling station in the centre of Sandbanks, a sprawling seaside resort near Poole, shows no signs of wanting to retire.

Another winner given a good reception on Saturday was Noble Quillo, following up stable companion Transworld's victory of a year ago in the Churchill Stakes. Piggott was seen at his most masterly on this Vaguely Noble colt.

This evening at Wolverhampton, backers may well be best advised for the Luca Cumani-trained Saulingo colt Barbablu, in the Medley Maiden Stakes. This half-brother to two winners, both here and in Brazil, ran really well on his debut when going down by just a length to Captain Nick at Yarmouth a couple of weeks ago. He should win this less competitive race.

WOLVERHAMPTON
6.45—Ergo
7.10—Golden Moet
7.40—Somer's Heir
8.10—Barbablu**
8.40—The Turn*
9.05—Carlton's Girl**

TV/Radio

† Indicates programme in black and white.

BBC 1

6.40-7.55 am Open University (Ultra High Frequency only). 1.30 pm Camberwick Green. 1.45 News. 1.55 Wimbledon Lawn Tennis Championships. 4.18 Regional News for England (except London). 4.20 Play School (as BBC 2 11.00 am). 4.45 Great Grape Ape and Bailey's Comets. 5.05 Blue Peter. 5.35 The Wombles.
5.40 News.
5.55 Nationwide (London and South-East only).
6.15 Wimbledon Tennis.
7.20 Angels.
8.10 Panorama including Israel's Secret Weapon.
9.00 News.
9.25 The Monday Film: "Hornet's Nest," starring Rock Hudson.
11.10 Tonight.
11.50 Weather/Regional News.

All Regions as BBC 1 except at the following times:—

Wales—1.20-1.45 pm Pili Pala. 5.55 Wales Today. 6.15 Heddiw. 6.40 Joins BBC 1 (Wimbledon). 11.50 News and Weather for Wales.

Scotland—5.55-6.15 pm Reporting Scotland. 11.10 Public Account. 11.45 News and Weather for Scotland.

Northern Ireland—1.18-1.20 pm Northern Ireland News. 5.55-6.15 Scene Around Six. 11.50 News and Weather for Northern Ireland.

England—5.55-6.15 pm Look East (Norwich); Look North Leeds, Manchester, (Newcastle); Midlands Today (Birmingham); Points West (Bristol); South Today (Southampton); Spotlight South West (Plymouth).

BBC 2

6.40-7.55 am Open University.
11.00 Play School.
2.00 pm Wimbledon Lawn Tennis Championships.
8.00 News on 2.
8.15 The Two Ronnies.
9.00 Colossus.
9.50 Play of the Week: "Orde Wingate."
11.00 Late News on 2.
11.10 Wimbledon highlights.
12.00-12.10 am Closedown reading.

LONDON

9.30 am It's Life with David Bellamy. 9.50 Paint Along with Nancy. 10.20 The Undersea Adventures of Captain Nemo. 10.30 An Asian Notebook. 11.00 Popeye. 11.05 Goostrey — A Village. 12.00 Jamie and the Magic Torch. 12.10 pm Rainbow. 12.30 Untamed World. 1.00 News plus FT index. 1.20 Help! 1.30 About Britain. 2.00 After Noon. 2.25 Monday Matinee: "Fathom," starring Raquel Welch. 4.20 Clapperboard. 4.45 The Tomorrow People. 5.15 Batman.
5.45 News.
6.00 Thames at 6.
6.40 Help!
6.45 Whodunnit?
7.30 Coronation Street.
8.00 You're Only Young Twice.
8.30 World in Action.
9.00 Strangers.
10.00 News.
10.30 Appointment With Fear: "Vampire Circus" starring Adrienne Corri and Thorley Walters.
12.10 am Close: A painting by Van Gogh with music by Mozart.

All IBA Regions as London except at the following times:—

ANGLIA

10.20 am Friends of Man. 10.40 Amoureuse. 12.30 pm The Open Air. 1.25 Anglia News. 2.00 Houseparty. †2.25 Monday Matinee: "The Paradine Case," starring Gregory Peck, Ann Todd and Charles Laughton. 5.15 University Challenge. 6.00 About Anglia. 10.30 Speedway. 11.00 TV Movie: "Fright," starring Honor Blackman and John Gregson. 12.35 am Reflection.

ATV

10.20 am Young Ramsay. 12.30 pm The Practice. 1.20 ATV Newsdesk. †2.25 Movies to Remember: "The Whisperers," starring Edith Evans and Eric Portman. 5.15 University Challenge. 6.00 ATV 10.30 Left, Right and Centre. 11.00 Movie of Today. "The Boy In The Plastic Bubble," starring John Travolta.

BORDER

10.20 am Ghost Busters. 10.45 Amoureuse. 12.30 pm Gardening Today. †1.20 Border News. 2.00 Houseparty. †2.25 Matinee: "The Whisperers," starring Edith Evans. 5.15 Carnock Way. 6.00 Lookaround Monday. 6.15 University Challenge. 10.30 Scottish Liberal Party Conference. 11.30 The Streets of San Francisco. 12.25 am Border News.

CHANNEL

1.18 pm Channel Lunchtime News and What's On Where. †2.25 The Monday Matinee: "Sweet Smell Of Success." 5.15 University Challenge. 6.00 Channel News. 6.10 Skippy. 10.28 Channel Late News. 10.32 Code "R". 11.00 Late Night Movie: "Dracula." 12.25 am News and Weather in French followed by Channel Gazette.

GRAMPIAN

9.25 am First Thing. 10.20 Starmaidens. 10.45 Amoureuse. 12.30 pm Home Nursing. 1.20 Grampian News headlines. †2.25 Monday Matinee: "The Whisperers," starring Edith Evans, Eric Portman and Nanette Newman. 5.15 University Challenge. 6.00 Grampian Today. 6.10 Top Club. 10.30 Scottish Liberal Party Conference Report. 11.30 Reflections. 11.35 The Mary Tyler Moore Show. 12.05 am Grampian Late Night headlines.

GRANADA

10.20 am The Lone Ranger Show. 10.40 Journal. 10.55 Kathy's Quiz. 12.30 pm The Open Air. 1.20 Dodo. 2.25 Monday Matinee: "The Storm." 3.50 Beryl's Lot. 5.15 Those Wonderful TV Times. 6.00 Granada Reports. 6.20 This Is Your Right. 10.30 Reports Politics. 11.00 Close Encounters of Various Kinds. 12.35 am A Little Night Music with Don McLean.

HTV

10.20 am Dynomutt—The Dog Wonder. *10.40 Amoureuse. 12.30 pm The Open* Air. 1.20 Report West headlines. 1.25 Report Wales headlines. 2.00 Job-line. †2.30 The Monday Matinee: "One False Step." 5.15 University Challenge. 6.00 Report West. 6.22 Report Wales. 10.35 The Monday Film: "Petulia." starring Julie Christie, George C. Scott and Richard Chamberlain.

HTV Cymru/Wales—As HTV General Service except: 1.20-1.25 pm Penawdau Newyddion Y Dydd. 2.00-2.30 Hamdden. 6.00-6.22 Y Dydd. 8.30-9.00 Yr Wythnos.

HTV West—As HTV General Service except: 1.20-1.30 pm Report West headlines. 6.22-6.45 Report West.

SCOTTISH

10.20 am The Secret Pony. 10.45 Amoureuse. 12.30 pm Gardening Today. 1.25 News and Road Report. 2.25 Monday Matinee: "The Storm." 3.50 Beryl's Lot. 5.15 University Challenge. 6.00 Scotland Today. 6.30 Crime Desk. 10.30 Scottish Liberal Party Conference Report. 11.30 Late Call. 11.35 The Prisoner.

SOUTHERN

10.20 am Arthur. 10.45 Amoureuse. 12.30 pm Farm Progress. 1.20 Southern News. 2.00 Houseparty. 2.25 Southsport *Presents Cricket. Sussex v. New Zealand.* 3.50 Beryl's Lot. 5.15 Laverne and Shirley. 6.00 Day by Day. 10.30 Quincy. 11.55 Southern News Extra.

TYNE TEES

9.20 am The Good Word followed by *North East News headlines. 10.20 Wild* Country. 10.45 Amoureuse. 12.30 pm Last of the Wild. 1.20 North East News and Lookaround. 2.25 Power Without Glory. 3.20 Generation Scene. 3.35 Cartoon Time. 3.50 Beryl's Lot. 5.15 University Challenge. 6.00 Northern Life. *6.40 Police Call. 10.30 Lifestyle.* 11.00 Danger in Paradise. 12.00 Epilogue.

ULSTER

10.20 am Lost Islands. 10.40 Amoureuse. 12.30 pm The Open Air. 1.20 Lunchtime. 2.25 Monday Matinee: "The Last Safari," starring Stewart Granger. 4.18 Ulster News headlines. 5.15 University Challenge. 6.00 Ulster Television News. 6.05 The Beverley Hillbillies. 6.30 Reports. 10.30 The London Rock and Roll Show. 11.30 Bedtime.

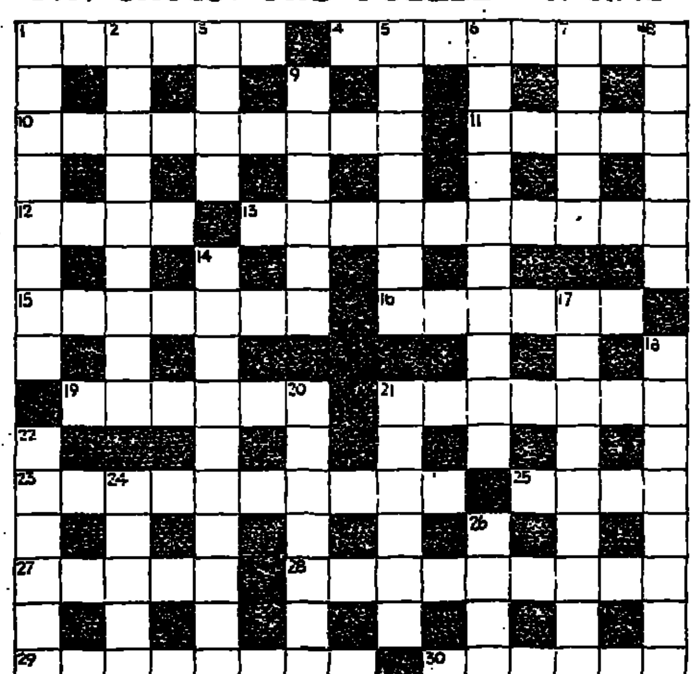
WESTWARD

10.20 am Skippy. 10.40 Amoureuse. 12.27 pm Gus Honeybun's Birthdays. 12.30 Mr. Speaker. 1.20 Westward News headlines. †2.25 The Monday Matinee: "Sweet Smell of Success," starring Tony Curtis and Burt Lancaster. 5.15 University Challenge. 6.00 Westward Diary. 6.25 Sports Desk. 10.28 Westward Late News. 10.30 Encounter: Robin Maxwell-Hyslop. 11.00 Late Night Movie: "Dracula" starring Peter Cushing. 12.25 am Faith for Life.

YORKSHIRE

10.20 am The Outsiders. 12.30 pm How To Stay Alive. 1.20 Calendar News. 2.25 Love Story. 3.20 Stars on Ice. 3.50 Beryl's Lot. 5.15 University Challenge. 6.00 Calendar (Emley Moor and Belmont editions). 10.30 Lifestyle. 11.00 Cuckoo Waltz. 11.30 Jazz Concert. Ronnie Scott.

F.T. CROSSWORD PUZZLE No. 3,702



ACROSS
1 Mild imprecations of the longer elements in code (6)
4 Mysterious coteries in disguise (8)
10 What a small world it is! (9)
11 Disturbing sound of the informer about one (5)
12 Family doctor round an American State shows mastery (4)
13 Forensic address concedes your right to go first of course (4, 6)
15 No, I find several injurious (7)
16 Tricks I see among the workers (6)
19 Rarely do the French turn to drink (6)
21 A seldom changed girl (7)
23 Equip the old fellow for the final struggle (10)
25 Doctor and artist cause delay (4)
27 For a foreigner an untruth has come point (5)
28 Capitalists put on among the lone wolves (9)
29 Silver was found on this island (6)
30 Alters as does Russian port (6)

DOWN
1 Harmful for a mother getting on (8)
2 Give up South African credit if on the rocks (9)
3 Oriental trifle turns up in the island (4)
5 Girl with sex appeal in ancient Palestine (7)
6 Temporal measure to reassure one afraid of missing the train (4, 2, 4)
7 Hard cash? (5)
8 We have to weep about her fruit (6)
9 Doctor got up in a bad mood (6)
14 Highwaymen in the travel business (4-6)
17 Buyers of the odd USSR comet (9)
18 Completely lost without a landlubber (3, 2, 3)
20 One who won't mind his own business sounds fruity (7)
21 Meets death by suffocation, the doctor admits (6)
22 Empty preserve in unpopular tax (6)
24 Cereal for one in a quandary (5)
26 How a widow dresses betrays the frump (4)

The solution of last Saturday's prize puzzle will be published with names of winners next Saturday.

RADIO 1 247m

(S) Stereophonic broadcast
† Medium Wave
(VHF) Very High Frequency

5.00 am As Radio 2. 7.02 Dave Lee Travis. 9.00 Simon Bates. 11.31 Paul Burnett including 12.30 pm Newsbeat. 2.00 Tony Blackburn. 4.31 Kid Jensen including 5.30 Newsbeat. 7.30 Sports Desk (joins Radio 2). 10.02 John Peel (S). 12.00-2.02 am As Radio 2.

VHF Radios 1 and 2—5.00 am With Radio 2, including 1.55 pm Good Listening. 2.02 David Allan (S). 4.30 Waggoners' Walk. 4.45 John Dunn (S). 7.00 With Radio 2. 10.00 With Radio 1. 12.00-2.02 am With Radio 2.

RADIO 2 1,500m and VHF

5.00 am News Summary. 5.02 Richard Vaughan (S) with The Early Show, including 6.15 Pause for Thought. 7.32 Terry Wogan (S) including 8.27 Racing Bulletin and 8.45 Pause for Thought. 10.02 John Timpson (S). 12.15 pm Waggoners' Walk. 12.30 Pete Murray's Open House (S) (continued on VHF) including 1.45 Sports Desk. 2.02 Wimbledon 78 including 2.45, 3.45 Sports Desk. 4.30 Waggoners' Walk (as VHF). 4.45, 5.45, 6.45 Sports Desk. 7.02 BBC Northern Radio Orchestra (S). 7.30 Sports Desk. *7.33 Alan Dell: 7.33 The Dance Band* Days. 8.02 The Big Band Sound (S). 9.02 Humphrey Lyttelton with The Best of Jazz on records (S). 9.55 Sports Desk. 10.02 Town and Country Quiz. 10.30 Star Sound. 11.02 Brian Matthew introduces Round Midnight, including 12.00 News. 2.00-2.02 am News Summary.

RADIO THREE TV-20

RADIO 3 464m. Stereo & VHF

†6.55 am Weather. 7.00 News. 7.05 Overture (S). 8.00 News. 8.05 Morning Concert (S). 9.00 News. 9.05 This Week's *Composer.* Bartok (S). 9.45 Talking About Music (S). 10.15 Joseph Kalichstein (S). 11.10 London Sinfonietta concert, part 1 (S). 11.45 In Short (talk). 11.55 Concert, part 2. 1.00 pm News. 1.05 BBC Lunchtime Concert (S). 2.00 Music for Organ by Duruflé (S). 2.40 Matinee Musicale (S). 3.40 New Records (S). 4.25 Song Recital (S). 5.15 Bandstand (S). 5.45 Homeward Bound (S). 6.05 News. 6.10 Homeward Bound (continued). 6.30 Lifelines: Home and Family. 7.30 BBC Scottish Symphony Orchestra: *Wagner, Beethoven, Kodaly* (S). 8.50 A Parliament for the 80s (talk by Bryan Gould). 9.10 Robert Tear recital of songs accompanied by guitar (S). 9.55 Poetry Cambridge: Report on the 1977 Festival. 11.05 Jazz in Britain (S). 11.35 News. 11.40-11.45 Tonight's *Schubert Song.*

Radio 3 VHF only—6.00-7.00 am Open University.

RADIO 4

434m, 330m, 285m and VHF

6.15 am News. 6.17 Farming Week. 6.35 Up to the Hour. 7.00 News. 7.10 Today. 7.35 Up to the Hour (continued) including Thought for the Day. 8.00 News. 8.10 Today including 8.35 News headlines, weather, papers, sport. 8.45 John Ebdon with the BBC Sound Archives. 9.00 News. 9.05 Start the Week with Richard Baker. 10.00 News. 10.05 Wildlife. 10.30 Daily Service. 10.45 Morning Story. 11.00 News. 11.05 Paul Jones: Terror of the English, starring Iain Cuthbertson. 11.50 Announcements. 12.00 News. 12.02 pm You and Yours. 12.27 Brain of Britain 1978. 12.55 Weather: programme news. 1.00 The World at One. 1.30 The Archers. 1.45 Woman's Hour including 2.00-2.02 News. 2.45 Listen with Mother. 3.00 News. 3.05 Afternoon Theatre (S). 4.35 Story Time. 5.00 PM Reports. 5.40 Down the Garden Path. 5.55 Weather: programme news. 6.00 News. 6.30 The Spanfritter Man (S). 7.00 News. 7.05 The Archers. 7.20 From Our Own Correspondent. 7.45 The Monday Play: "Whose Little Boy Are You, Then?" by *William Ingram* (S). 9.00 *From Apes to Warlords:* second of two talks by Professor Lord Zuckerman. 9.30 Kaleidoscope. 9.59 Weather. 10.00 The World Tonight. 10.30 Profile. 11.00 A Book at Bedtime. 11.15 The Financial World Tonight. 11.30 Today in Parliament. 12.00 News.

BBC Radio London

206m and 94.9 VHF

5.00 am As Radio 2. 6.30 Rush Hour. 9.00 London Live. 12.03 pm Call In. 2.03 206 Showcase. 4.03 Home Run. 6.10 Look, Stop, Listen. 7.30 Black Londoners. 8.30 Breakthrough. 10.03 Late Night London. 12.00 As Radio 2. 12.05 am Question Time from the House of Commons. 1.05-Close: As Radio 2.

London Broadcasting

261m and 97.3 VHF

5.00 am Morning Music. 6.00 AM: Non-stop news, information, travel, sport. 10.00 Brian Hayes Show. 1.00 pm LBC Reports. 3.00 George Gale's 3 O'Clock Call. 4.00 LBC Reports (continues). 8.00 *After eight with Ian Gilchrist.* 9.00 Nightline with Monty Modlyn. 1.00 am Night Extra.

Capital Radio

194m and 95.8 VHF

6.00 am Peter Young's Breakfast Show (S). 9.00 Michael Aspel (S). 12.00 Dave Cash (S). 3.00 pm Roger Scott (S). 7.00 London Today (S). 7.30 Adrian Love's Open Line (S). 9.00 Nicky Horne's Your Mother Wouldn't Like It (S). 11.00 Tony Myatt's Late Show (S). 2.00 am Mike Smith's Night Flight (S).

FINANCIAL TIMES SURVEY

Monday June 26 1978

هكذا من الأصل

United Arab Emirates

The United Arab Emirates is emerging from a recession. The slower pace of development is giving it a chance to review what has been achieved so far, but this has served to emphasise the difference between the Emirates.

CONTENTS

Federal unity under threat

By James Buxton

THE UNITED Arab Emirates has a reputation for proving its critics wrong. Few people experienced in the region expected that when Britain withdrew from the Gulf at the end of 1971 the seven sheikhdoms lying between Qatar and Oman would decide to form one federation, and even when the decision had been made there were many sceptics who said it could not hold together for more than a few months.

Yet six and a-half years later the UAE is a respected entity on the Arab and world stage, partly because it is a major oil producer and partly because of its generous aid disbursements in the rest of the underdeveloped world. Its federal system of government has gradually acquired a larger role, and there is a growing degree of economic inter-dependence. To an increasing extent the people of the federation see themselves as UAE citizens rather than as nationals of individual Emirates.

That is saying quite a lot when one considers the background against which the UAE was established. British influence in the Gulf brought stability but, accompanied as it was by a policy of largely avoiding interference in the internal affairs of the sheikhdoms, prevented political evolution and virtually fossilised the status of different sheikhdoms as separate and permanent entities. Nor was there any development assistance to speak of, with the result that the UAE began its existence with a pitiful number of trained and educated people. But despite this, and the different economic strengths of the Emirates, the Rulers were all determined in varying degrees, to maintain the identity of their individual States within the federation.

The enormous oil wealth of Abu Dhabi, and the rather smaller oil revenue and trading income of Dubai, have helped the federation overcome some of the basic economic problems it faced (there was, for example, no road between Abu Dhabi and Dubai at the outset). These two economic powers have stimulated the economies of the other Emirates, while Abu Dhabi has directly benefited them through its large contributions to the federal budget and through acts of direct generosity by Sheikh Zaid bin Sultan al Nahayyan, the President of the UAE and Ruler of Abu Dhabi. Through the UAE Currency Board Abu Dhabi provides much of the foreign exchange for the UAE, and the federation is gradually becoming one market.

Mixed

But oil revenue can only be called a mixed blessing, as other oil revenue surplus states are aware. Money in the bank does not turn a nomad into a technocrat, nor a tribal elder into a competent civil servant, and the sudden quadrupling of the oil price in 1973-74 has only accentuated these problems. Immigrants have poured into the UAE from the Arab world and the subcontinent, outnumbering the indigenous population by about four to one.

The sudden wealth of the UAE and of the region in general has enabled the different Emirates to pursue their own development programmes with their own money, or with borrowed money or grants from inside or outside the federation, and this has led to the much publicised duplication of facilities, especially ports and airports, in the UAE. It has put individual rulers at risk to the blandishments of unscrupulous advisers, and made possible wasteful competition between individual Emirates.

The fact that Abu Dhabi's financial power has become so great has not always made it popular with the other Emirates —no one really likes receiving charity — and Abu Dhabi has been blamed in the other Emirates for the precipitate imposition last year of credit controls by the UAE Currency Board which set off a recession. That recession has made other Emirates if anything more anxious to insulate themselves as far as possible from economic dependence on Abu Dhabi—in most cases, with little hope of success.

Sheikh Zaid of Abu Dhabi, President of the UAE.

Sheikh Rashid of Dubai, Vice-President of the UAE.

Abu Dhabi has become frustrated at the limits to its power to influence the other Emirates, despite its financial strength. The murder last year of Mr. Seif Ghobash, the Minister of State for Foreign Affairs, by a Palestinian terrorist, brought home to it the vulnerability of the UAE to the imported politics of immigrants, and made it more concerned about the course of development in the federation in general. But there is a major difference of approach over these issues between Abu Dhabi and Dubai and this fact, together with the traditional rivalry between two ruling families, lies at the root of the present crisis in relations between them—probably the most serious political crisis the UAE has been through.

Whereas Dubai has developed as a business and trading centre using the skills of local and immigrant merchant families, Abu Dhabi started development, based on its oil revenue, later and from a much lower base. It has relied heavily in government on expatriate advisers and civil servants, particularly from the Arab world, and, almost without knowing it, let the federal government, based in Abu Dhabi, grow up on lines similar to the Abu Dhabi Government.

The federal bureacracy is an enormous institution which with the Abu Dhabi Government together numbers about 40,000 people, at least 25,000 of them expatriates. It breeds a plethora of committees, study groups and reports, but produces relatively little action. The rate of implementation of the federal budget has risen only slowly, and its actual spending is still dwarfed by the spending of Abu Dhabi and Dubai.

While Abu Dhabi has been having doubts, Dubai has committed itself firmly to a policy of industrialisation. Having prevented immigrants from becoming a serious problem in the past Shiekh Rashid bin Saeed al Maktoum is less concerned about this issue. Dubai finds Abu Dhabi's concern about immigration somewhat irksome —particularly the federal decision taken late last year to end the issue of transit visas in the UAE, which has stopped casual business visits to the UAE and hampered Dubai's trade in particular. Sheikh Rashid feels, with some justification that Dubai can provide what the federal government offers more cheaply and better. While supporting the basic concept of the federation he is alarmed at what he sees as the loss of day-to-day control over its affairs by UAE nationals.

The dispute between the two Emirates which brought these underlying problems to a head broke out in February and has been rumbling ever since, but only recently has Sheikh Rashid spoken publicly about it, apparently out of frustration at lack of progress towards settling it. It began with a move by Sheikh Zaid which almost every observer of the UAE scene feels was somewhat tactless: he appointed his second son, Sheikh Sultan, to the post of commander in chief of the armed forces as a part of a plan to implement the unification of the different defence forces which had been agreed upon in the past but only paritally implemented.

Impatience

This step, which may have indicated Sheikh Zaid's impatience with what he regards as slow progress towards greater federal unity, upset the hiérarchical relationship among the ruling families in the UAE and appeared to pre-empt the conclusion of discussions on the armed forces which were already in progress.

To make matters worse, the appointment was announced while Sheikh Zaid was out of the country, leaving Sheikh Rashid acting-President—yet Sheikh Rashid says that he was not consulted. He also says that the procedure used in making the appointment breached provisions of the UAE constitution. Since February the armed forces of Dubai and Ras al Khaimah, still nominally part of the federal armed forces, have refused to accept orders from the federal commander, and Dubai has independently ordered a number of British Scorpion light tanks for its forces.

Most alarming of all it has also privately made clear that it is seriously contemplating leaving the federation (and would in that event probably be joined by Ras al Khaimah and Umm al Qaiwan).

This has aroused regional and international concern, because a break-up of the federation could lead to intervention by other states in the region, which would be a source of instability, and might even threaten the continuation of monarchical rule in the Gulf. For this reason both Iran and Saudi Arabia which had reservations about the creation of the UAE when it was set up in 1971, have been emphasising the dangers of the continuation of the dispute to both Sheikh Zaid and Sheikh Rashid, while Britain, which has

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THE ECONOMY

Emerging from recession

THE UNITED Arab Emirates is quietly emerging from a period of recession which has given it a chance to take stock of what has been achieved so far. The difficulties of the past year have *emphasised the interdependence* of the seven Emirates but have yet to lead to a much greater degree of integration.

The recession was the inevitable, if not always foreseen, result of the frantic growth of the years 1975 and 1976. That *growth was fuelled by* two things: first, large-scale Government spending, the bulk of it by the Government of Abu Dhabi—both in the Emirate itself and through the federal budget, to which it is by far the biggest contributor. The Governments of Dubai and Sharjah also helped to fuel the boom in their own Emirates, partly relying on borrowed funds but also on their own oil revenue, while Ras al Khaimah relied on its own revenues and made heavy borrowings.

The boom created by heavy Government *spending led to a* corresponding surge in private spending. The UAE has more *than 50 different banks*, with immense competition among them for business: this led, in *the words of the UAE Currency* Board's November, 1977, bulletin, to "over-estimation of the size of local markets and the future rate of expansion in the demand for goods and services." Fast monetary growth produced shortages and congestion in the economy, of which the most spectacular was at the ports (a fact which appeared at the time to justify building new ports). Inflation was estimated by the Currency Board at 45 per cent *in 1975 and 40 per cent in 1976.*

Outrun

But by early 1977 it was clear that the supply of property as well as of other goods and services was likely to outrun demand because of the inevitable limit to what a relatively small consuming population could absorb, while there were growing doubts in some quarters about increasing the *population with continued* immigration. The easing of the boom led to the closure last May of two banks within two days: the Currency Board did not bail them out and took the opportunity to impose a series of measures which greatly curbed credit and liquidity in the UAE.

Some people felt that the sudden imposition of all these *measures at once* was too drastic, and it certainly had the effect of killing the boom. Stocks that had been trapped offshore by port congestion causing shortages and speculation suddenly arrived to overhang the market, causing many bankruptcies, and the *cash crisis brought property* development to a standstill in some areas, especially Sharjah, where a speculative boom ended almost literally overnight.

The credit squeeze was accompanied by the customary delays in agreeing the federal budget, *which has regularly brought an* injection of cash into the economy about the middle of the year. Abu Dhabi had grown increasingly reluctant to foot the entire bill for the budget when progress to federal unity was slow and while the other Emirates insisted on pursuing independent development strategies. While the Northern Emirates argued that they were too poor to contribute, Dubai has in the past claimed that the *federal budget was spent wastefully and inefficiently*, and that many of the services the *federation offered were provided* more cheaply and efficiently within Dubai by the Emirate itself. Certainly, though the federal budget has grown in size, partly because *more and more items of expenditure which formerly* came in the Abu Dhabi budget have been transferred to it, and partly because Abu Dhabi has pledged to give half its revenue to it, its implementation rate remains low.

In 1976 only about Dh 2.5bn was spent (about 60 per cent of the allocation) and last year, when agreement had finally *been reached, with* Dubai making a contribution of between Dh 400m and Dh 500m (its highest to date), about Dh 6.7bn was spent against a total allocation of Dh 13bn.

The UAE is now beginning to move out of recession. There are signs that imports are flowing in faster again, and in many areas property which has been completed since the recession is now being occupied, provided it is of reasonable quality, and *the rent, even if not lower,* includes some services and maintenance commitments. The *Currency Board has slightly* eased its restrictions by reducing the bank's reserve ratio (which it believes will release about Dh 500m into the economy) and by raising the limit on dollar swap facilities.

But the most important factor is that the two richest Emirates, Abu Dhabi and Dubai, are spending more *money. Though Abu Dhabi* has apparently rejected suggestions that it should pump a gratuitous Dh 1bn or so into *the economy just to restore* something like last year's growth rate, a federal budget of Dh 10.5bn has been agreed and it appears likely that a higher proportion of the allocation will be spent than last year. Abu Dhabi itself is not cutting expenditure for this year—in fact it is likely to budget to spend more than Dh 8bn this year, more than ever before. It has said that it will not embark on any new projects in 1979 and will start only a small number in the *succeeding two years so as to* peg development spending at Dh 6.9bn, but this represents a considerable increase compared with last year's actual figure of Dh 4.3bn and this year's budgeted figure of about Dh 5.3bn. It means in effect that total spending could be up to 30 per cent higher during the coming year than it was last year. The emphasis is on completing projects in hand.

Spending

Dubai is also spending more on development this year, as well as slightly more on recurrent items. Total spending *for the year from the Emirate's* revenue will probably come to about Dh 5bn this year, compared with about Dh 4bn last year, and this excludes spending on projects financed out of the Emirate's substantial borrowing. This year should see the peak of spending in Dubai itself and on the Jebel Ali developments.

Spending in Sharjah is running down through shortage of money (the Emirate's oil revenue dropped last year because of lower production). In Ras al Khaimah spending is going ahead on projects mainly with borrowed funds.

But this continued growth looks fairly finite. If Abu Dhabi continues spending *(including foreign aid)* at its present rate and keeps its limits on oil production it may well *have a deficit next year or the* year after, one reason for its announcement of rationalised spending. But observers do not see many obvious new infrastructure projects which Abu Dhabi could implement in the future, and the Emirate is becoming increasingly uncertain about its plans for large-scale industrialisation.

In contrast Dubai is thinking rather more boldly about its future and is making a very *large investment in its new* industrial city at Jebel Ali where the port, still likely to have 74 berths, is due for completion in 1980. There is little indication at this stage of industry being attracted to Jebel Ali on a scale to justify the cost and size of the port, but there are undoubted advantages in Dubai's location, its successful trading reputation and its efficiency as a base for industry.

Sharjah is the Emirate worst hit by the recession. There the intention was and still is to create a service centre for the UAE and the rest of the Gulf, specialising in cargo handling, a financial centre, light industry and company headquarters. To a limited extent progress has been made towards all these aims; the port is already effective, and when the deep water container port at Khor Fakkan on the Gulf of Oman comes into operation it will be more so; some companies have set up their regional headquarters in Sharjah because it is, as its designers intended, a relatively inexpensive and convenient place. The proposed financial centre seems unlikely to become a reality but some industry has come to Sharjah. But the Emirate's planners took too optimistic a view of the continuation of growth in the region and of Sharjah's ability to match Dubai, with its highly competitive Ruler and its long established trading position.

Sharjah did not have the underpinning of large revenues, and its encouragement of relatively unfettered private enterprise led to some very speculative ventures getting underway, so that Sharjah is now a byword in the Gulf for unfinished buildings and excellent but very empty hotels. It does have a future, but unless it discovers substantially more oil it is likely to be dependent on the other economic poles of the region—Dubai, Abu Dhabi and Saudi Arabia.

Ras al Khaimah, in the north of the UAE, is not without natural resources, even though oil, on which it had set its hopes for so long, has so far been a disappointment, with Deutsche Schachtbau, the operating company, having given up its concession despite having discovered oil that could flow at the rate of 6,500 barrels per day, deeming the find uncommercial. But the Emirate is a source of stone and aggregate for the rest of the UAE, and its cement plant, now being expanded, is a success. It has been successful in attracting Saudi and Kuwaiti investment, and is pressing ahead with its seven berth port, with special berths for the export of stone and aggregate. The latest plan is for an oil refinery that would be built with Kuwaiti money (and presumably consume Kuwaiti oil) at a cost put at around £330m. The U.S. company Kellogg is making a feasibility study of it.

The three smaller northern Emirates are more dependent on federal financial assistance and, in a few instances, on the generosity of Sheikh Zaid, than Sharjah and Ras al Khaimah (though both the latter have handed over some of their installations to the federation). The federation has in many cases built roads, schools, health centres etc., and in Fujairah it *is building a port*. Yet it is striking that the federation is less active in the north than one might expect, partly because of slow mobilisation. Some of the poverty and disease in northern villages underscores these Emirates' discontent at Sheikh Zaid's munificent foreign aid. Umm al Qaiwain has recently discovered gas in commercial quantities and, subject to a *second test, will pipe it to Dubai* for use in the gas plant there. Ajman, hit by the collapse of its bank last year, is enjoying the success of its Japanese-run mini dry dock. In Fujairah, alone on the east coast of the UAE, hopes are pinned principally on tourism, minerals and agriculture.

The recession has forced each Emirate to take a more critical look at its plans and cut out *some of the less realistic proposals*. In Abu Dhabi, where the sense of responsibility is *perhaps greater, and time more* on its side, this has produced serious questioning of the role of an oil revenue surplus state, and some constructive thought about what kind of federation it would like to see (implementation of these thoughts has yet to materialise). The recession has emphasised the fact that the UAE is in economic terms interdependent to a greater degree than some rulers might think. Apart from the role of Abu Dhabi in spending and funding almost all the federal budget, all the Emirates depend *to a greater or lesser degree on Abu Dhabi* as a source of foreign exchange, and Dubai's trade *depends heavily* on the federation as a whole.

Reinforced

Yet in some ways the recession has reinforced individual Emirates in their search for economic independence: in some parts of the UAE there is a feeling that Abu Dhabi pulled the rug out from under them last year with the Currency Board measures out of a desire *to force them to realise* their dependence on the richest Emirate. This has reinforced *three factors already at work in* the UAE: the traditional desire for independence by the Rulers, their natural competitiveness and, because of the poverty in human terms of the UAE, their vulnerability to outside advisers who do not always have their best interests at heart. No one could say that the UAE makes the best use of its collective *resources: there is too little co-*operation in such mundane things as electricity supplies, water resources, ports and airports, and too many small, ill-conceived competing industrial plants. Most Emirates display a high degree of shrewdness in making the best of this situation — Sharjah had a try, Ras al Khaimah is in some respects doing well, and Dubai's industries are to a large extent well calculated to avoid the pitfalls *of local and regional duplication.*

Yet Dubai is searching widely *for disparate gas resources for* its smelter when it is close to the largest gas reserves in the Gulf —in Abu Dhabi; and Ras al Khaimah's oil refinery plant distorts the economics of the refinery planned by Abu Dhabi for Ruwais. Attempts at federal planning seem a long way off, and there seems no immediate prospect of the UAE Supreme *Council allowing the Currency* Board to assume the powers of a central bank. A growing *number of UAE nationals* are becoming impatient at the economic duplication in the Emirates, but their voice is only slowly being heard and they are well aware, as sympathetic observers of the UAE should also be, that economics is a function of politics.

James Buxton

Unity

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strong ties with the UAE, has also pressed both parties to heal the rift.

Now that the dispute has become public there is more chance of the two Rulers working to settle their differences. Sheikh Zaid recently said pub*licly that the federation had* been a success. "If it had not been useful we would not have retained it" and stressed that unity was the only way to strength. But a settlement of all the outstanding issues may take some time, partly because of their complexity and partly because of the issues of personal prestige at stake on both sides.

Despite their disagreements there are strong reasons for both Abu Dhabi and Dubai staying together. A great deal of the trade handled through Dubai is destined for Abu Dhabi, one of the two biggest markets in the UAE, while the existence of the federation preserves Dubai and other Emirates from serious outside interference of the kind that fragmentation might bring, and allows Dubai to develop its economy in peace. Meanwhile Abu Dhabi benefits considerably from Dubai's commercial and financial expertise.

Interplay

The history of the UAE has *been one of interplay between* two very different concepts of how the federation should function—whether as a simple institution that handles only the foreign policy and defence of the region (effectively taking over the role of the British) or *a more powerful organisation* taking over more and more functions from the individual *Emirates. The strengthening of* the federation has been passed by all the Rulers meeting in the Supreme Council, but there is little doubt that Abu Dhabi has been the driving force generally supported by Sharjah, Fujairah and Ajman, while Dubai, Umm al Qaiwain and Ras al Khaimah have been more reluctant, arguing that they would gladly give up power to an efficient authority but that the present *situation gives* them the worst of both worlds. However, it is significant that Dubai last year contributed between Dh 400 and Dh 500m to the federal budget.

But it is wrong to see polarisation on the issue of the federation purely in geographical terms. Younger, educated citizens of the UAE almost invariably think in federal terms, and such men are increasingly filling the posts in the federal Council of Ministers. *They tend to be opposed* to the policies of separate development which many of the *Rulers favour, and would like* to see a more slowly growing UAE with many fewer immigrants. *The blending of their* aspirations with those of the *Rulers is one of the problems* that the UAE still has to face.

The process of attaining greater federal unity has come about at least partly as a result of successive crises over different issues, of which this latest is simply the most serious. Each crisis has ended with a move towards further integration. But even the more optimistic observers think that this crisis is likely to be followed by a pause or even a set*back in the unification process.* This may not necessarily be a bad thing: the pace of economic development is anyway now less hectic, and the problems the UAE has to solve are major and difficult. They cannot be solved in a hurry.

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OIL

Preserving a balance

THE UNITED Arab Emirates produces about 6 per cent of OPEC's oil. Its 1977 average production of over 2m barrels per day amounted to rather more than 3 per cent of world oil production.

Only three of the seven Emirates are actually oil exporting States, and Abu Dhabi is by far the biggest with a 1977 average production of 1.7m barrels per day. Dubai last year produced about 340,000 b/d and Sharjah about 27,000 b/d (a 21 per cent drop from the 1976 figure). Two other Emirates, Ras al Khaimah and Umm al Quiwain, have lately had setbacks in their drive to become oil producers, though Umm al Quiwain is likely to become a gas producer.

Mr. Mana Said al Oteiba, the Federal Minister for Oil and Petroleum Resources, speaks for the UAE at OPEC meetings and is careful to explain OPEC decisions to the other oil producing Emirates. Dubai and Sharjah. But though these Emirates do pass on a certain amount of information on their oil operations to the Federal Oil Ministry there is no federal policy on oil. Dubai is not thought to have kept to the 5 per cent ceiling on oil prices which Abu Dhabi and Saudi Arabia maintained for six months after the Doha OPEC meeting in late 1976, and while Mr. Oteiba last autumn announced a 16 per cent cutback in the allowable oil production from Abu Dhabi's main producing areas for 1978, this year is likely to be a peak production year for Dubai.

The cutback in Abu Dhabi's production, amounting to some 265,000 b/d, was presented as being necessary both for technical reasons and as a conservation measure, as well as being an attempt, ccording to the Oil Minister, to reach a balance between supply and demand. (In practice liftings by U.S. customers have not come up to expectations and Abu Dhabi may fall short of the production maxima by 50,000 to 100,000 b/d, according to Mr. Oteiba.). It may therefore appear paradoxical that at the same time Abu Dhabi is pressing its concessionaires to continue and even step up their exploration activities, and the Abu Dhabi National Oil Company (ADNOC) is pressing ahead with the installation of further oil production capacity, including the 3bn development of the Upper Zakum offshore field.

The paradox can probably be explained as a search for security. Abu Dhabi does not want to produce more oil than necessary, but it wants to know what its reserves actually are and it also want to have the flexibility to meet any surge in demand.

Until this year's drop in production (about 10 per cent below the equivalent period last year), Abu Dhabi's oil exports had been steadily increasing though the increase last year, around 9 per cent, was small compared to the increase in 1976 over 1975 of 22 per cent. The larger part of the cutback falls on the onshore fields where the concessionaire and operator is Abu Dhabi Petroleum Company (shareholders ADNOC 60 per cent, and BP, Shell, CFP, Near East Development Corporation all with 9.5 per cent and Partex with 2 per cent). There are four producing fields onshore though the cutback is spread over the three major fields, Asab, Bu Hasa and Bab.

Largest

For Abu Dhabi Marine Areas, the entire cut of 80,000 b/d has fallen on its largest producing field of Umm Shaif, whose associated gas is piped to the Abu Dhabi Gas Liquefaction Company's plant on Das Island. Shortfalls of gas for that company's needs are being made up by tapping the cap gas. However, work is still going ahead at Umm Shaif on a secondary recovery programme designed to raise capacity to around 390,000 b/d. One apparent aim of the cutbacks is to give a 20-year production plateau to Abu Dhabi's oil fields, given the 1978 levels of operation.

The most striking of Abu Dhabi's "investments in future oil producing capacity" is the work being done at the Upper Zakum offshore field. This field, which overlies the present producing field of Zakum (200,000 b/d at present), is probably the largest of Abu Dhabi's known oil reservoirs, though, as a low energy field, it has only been producing around 50,000 b/d recently. The equity shares in the development are owned by a joint venture of ADNOC (88 per cent) and the Japanese Overseas Development Company (JODCO), with 12 per cent. They in turn have set up an operating company called Zakum Development Company (ZADCO), which is owned 50-50 by ADNOC and CFP. CFP has (so far) no equity stake in the venture and is employed on a contractual basis to operate the field, for which it receives a contractor's fee and the right to buy 20 per cent of the output at the official price minus the management/operating fee.

Estimates of the oil reserves in the Upper Zakum field vary from 40bn to 60bn barrels, of which about 10bn barrels could be recovered with presently known techniques. The massive water re-injection facilities being constructed under the development programme could raise the level of output to around 350,000 b/d, but no returns are expected for at least three years. If all goes well there is the possibility of a further, unquantified, five year plan to raise production capability to 500,000 barrels a day.

A number of the small fields now producing are outside the usual 60/40 ownership pattern in ADNOC's favour and not subject to the OPEC guidelines on operator profits. The Abu Al Bukoosh Oil company, for example, which operates the field of the same name (towards the sea border with Iran) has no ADNOC participation in its equity at all. The company is owned by CFP with 51 per cent, Sunningdale and Amerada Hess, each with 12.5 per cent, while Nepco Eastern Exploration has the remaining 24.5 per cent.

The al Bunduq company operates a field which straddles the dividing line between the territorial waters of Abu Dhabi and Qatar and is equally and jointly owned by BP, CFP and United Petroleum Development Company, a grouping of mainly Japanese interests. Production fell by 7.4 per cent to 18,900 b/d last year because of technical problems and BP and CFP were recently said to be negotiating to sell their stakes to Godo Sekiyu of Japan.

Stopped

Abu Dhabi, through ADNOC, is taking a much more active part in the marketing of its crude. In the course of 1977 the standard buy-back system, whereby the minority partners bought and marketed a substantial proportion (40 per cent) of ADNOC's entitlement, stopped. ADNOC increased its own marketing capacity and managed to place four-fifths of its 60 per cent share of production. If the minority partners want to buy more Abu Dhabi oil than their entitlement, they now have to buy at the prevailing posted price.

As yet there are no moves by Abu Dhabi to assume 100 per cent control of ADPC and ADMA. Mr. Mana Said al Otaiba has said that Abu Dhabi needs the technology and personnel from the companies and that the take-over will only come when Abu Dhabi can manage the whole operation. Relations between ADNOC and its main partners have not always been easy as the state oil company started flexing its muscles. But the two sides have got to know each other better and to work together with less mutual suspicion. The creation of local operating companies, capable of taking their own decisions (the first of which is ADMA-Opco), has helped in this process. ADPC will form a new locally incorporated operating company on somewhat the same lines.

Dubai produces about one-fifth of the quantity of oil produced by Abu Dhabi from two offshore fields, the Fateh and the South West Fateh. Only one group of foreign companies is involved, led by Continental Oil Company (Conoco) and operating through the Dubai Petroleum Company and the Dubai Marine Areas (DUMA). In 1975 the Dubai Government startled Abu Dhabi, then in the process of taking over 60 per cent of ADPC and ADMA, by announcing the "100 per cent takeover" of DPC and DUMA. Under the agreement the companies' installations were transferred to the Emirate for $110m compensation, but the companies retained responsibility for exploration, production and marketing on behalf of the Government. They were also allowed to continue lifting crude at a price equivalent to that applying in other Gulf countries, where 60 per cent participation agreements were in force, and were expected to continue maintaining the production facilities.

The Dubai offshore fields are worked by a consortium comprising Dubai Marine Areas (jointly owned by CFP and Hispanoil) with 50 per cent, Dubai Petroleum Company (a Conoco subsidiary) with 30 per cent, Deutsche Texaco (10 per cent), Dubai Sun (5 per cent) and Delfzee Dubai Petroleum (5 per cent).

Dubai's estimated reserves are not published, though informed guesses have put them at about 185m. tonnes, with a life at current rates of production of about 15 years. Production has risen steadily in the past 24 years, reaching an average of 325,000 b/d in the fourth quarter of last year and nearly 350,000 b/d in the first three months of 1978. Capacity is about 365,000 b/d, but there are indications that this is being increased.

So far Dubai has not found oil onshore. A new concession has been granted to South Eastern Drilling Company and Houston Oil and Minerals to drill in both an offshore area of nearly 500,000 acres and an onshore area of 1bn acres. Both these areas were relinquished by a U.S. group headed by Texas Pacific Oil after a fruitless search which began in 1975. 1975.

In nearby Sharjah production is running more than 20 per cent below the level for the corresponding period of last year owing to production problems on the Mubarak field. Whereas total output in 1976 was 37,000 b/d it has recently been running at around 29,000 b/d. Installed capacity is 55,000 b/d, and the operating company is Crescent Petroleum company, whose biggest shareholder is Buttes Gas and Oil of the U.S. Sharjah takes only 35 per cent. of the revenue from its offshore field, Iran and Umm al Quiwain taking the rest.

Oil and gas shows were discovered off Umm al Quiwain in 1976 by the U.S. company Zapata Exploration, and an agreement was reached last December with Dubai by which the Dubai Gas Company will develop the field at a cost of Dh 150m. Part of the gas will be piped to Umm al Quiwain to supply a power plant and other industries, but the bulk of it will be exported to Dubai for use in the Jebel Ali aluminium smelter.

The story of Ras al Khaimah's oil is a good illustration of the impact of oil on a Gulf State's politics, economic ambitions and the difference of priority that can occur between the oil field operator and the host country. Hopes of a commercial oil strike in the early 1970s delayed Ras al Khaimah's entry into the Federation. Then in 1976 renewed signs of the possibility of oil in commercial quantities came to light.

The exploration group at the time was led by Vitol, which later withdrew to be replaced by Deutsche Schachtbau. The Ras al Khaimah Government, probably the richest of the four most northern Emirates, then took a 50 per cent stake in the operation. Since 1976 a further two wells were drilled and the possible production assessed. One well was dry but the others between them tested at 6,500 b/d of good quality crude plus 17m cubic feet daily of gas. The Government let it be known that it had hopes of starting offshore production at a rate of about 20,000 b/d (marginally below Sharjah) in 1977, rising to 70,000 b/d in the early 1980s.

The present group exploring for oil in Ras al Khaimah's offshore waters (whose exact delineation is disputed by Oman) includes Deminex (25 per cent), Weeks Natural Resources (25 per cent) Societa Italiane Resine (20 per cent), United and Refining, Kewanee, Asamera and Superior Oil (all with 6 per cent each) and finally the operator, Deutsche Schachtbau, with 10 per cent. But in March this year the authoritative weekly Middle East Economic Survey reported that the participants thought the finds to be uneconomic, at least as far as further investment of their money was concerned, and were preparing to pull out.

From the standpoint of Ras Al Khaimah the picture looks very different: a little oil, however expensive to recover, is better than none at all. As the Emirate has little money of its own, it has effectively two choices if it wants to exploit these finds. Either its own oil company will have to borrow commercially on the international money markets or it could borrow from Abu Dhabi, a prospect that appears unlikely at present.

Doina Thomas

AID

The scope widens

The United Arab Emirates has for the past three years handed out annually more than $1bn in aid, equal to approximately a fifth of Abu Dhabi's oil income. While the UAE's influence in the industrialised world is based on its position as a major oil producer—and one that has so far been prepared to take a moderate line on oil prices—the federation's influence in the Arab world and in other developing countries is based on its financial resources.

There is something tediously repetitive about saying that Sheikh Zaid, President of the UAE and Ruler of Abu Dhabi, is a generous man—probably no article ever written about him has failed to use the word, usually more than once. But the fact is that the phrase is a very accurate guide to the UAE's aid policy, for there is a very strong personal element in it which is directly inspired by Sheikh Zaid himself.

The UAE's foreign aid comes from Abu Dhabi, easily the wealthiest of the Emirates, and while a growing proportion is channelled through the Abu Dhabi Fund for Arab Economic Development, which is now a major aid-giving institution, the bulk of the country's aid goes through the Finance Department of Abu Dhabi, usually on the initiative of Sheikh Zaid himself.

Often this can be something of an ad hoc process, resulting from a long-arranged visit to Abu Dhabi by an African leader or a more hurried request made in person, but it is said that visitors to Sheikh Zaid rarely if ever go away empty-handed —partly the result, no doubt, of Bedouin traditions of hospitality, and partly a shrewd awareness that an oil revenue surplus State is fundamentally a fragile instutution that needs more friends than one might at first imagine.

This is a factor which is not always appreciated elsewhere in the UAE where Sheikh Zaid's munificence tends to be regarded rather critically, with foreign aid disbursed set against the relatively small actual development spending of the federal government (a result at least in part of administrative constraints) and the fact that the President of UAE has recently been backing relatively few projects in the north of the country on his own account. There are certainly pockets of poverty and disease in the north —in some of the isolated villages, for example—which suggest that the statistical fact that the UAE has the world's highest income per head is pretty academic.

CONTINUED ON NEXT PAGE

UNITED ARAB EMIRATES IV

GAS

A mixed blessing

THIS AUTUMN deep test drilling for gas will start under or near the Umm Shaif oil-field off the coast of Abu Dhabi. The test wells are likely to go down to 13,800 feet or so, into the Khuff zone which has been so generous with its gas reserves for the neighbouring States of Qatar and Bahrain. Last autumn the first exports of gas by Abu Dhabi left its shores in the Emirates' own tankers for Tokyo. And in the last week of May the official announcement was made in Abu Dhabi of the formation of Gasco, which will gather and process Abu Dhabi's onshore associated gas.

The best use of gas reserves is an important question in the UAE. Dubai is going ahead with its plans to use its gas to fuel a desalination and aluminium plant at Jebel Ali and export the liquefied residue. Abu Dhabi has contemplated gas-fuelled industries at Ruwais but has so far chosen to export the processed gas directly.

Abu Dhabi's first project to exploit its gas assets was born in 1973, but it only started producing four years later. The Abu Dhabi Gas Liquefaction Company was incorporated in 1973 with the Abu Dhabi National Oil Company (51 per cent), British Petroleum (16.33 per cent), Compagnie Francaise des Petroles (8.16), Mitsui (22.05) and Bridgestone (2.45) two Japanese companies as the main shareholders. Its function is to process the associated gas from the offshore Umm Shaif field at a plant on Das Island. The project, while not comparable in size to Algeria's vast lng plants, was nevertheless the first of its kind in the Gulf and as such has suffered teething problems.

Contract

A twenty-year contract was agreed with the Tokyo Electric Power Company (one of the biggest utility companies in the world) which was to take all the plant's output.

When fully operational it was envisaged that the plant would produce each year 2.2m tonnes of lng, 660,000 tonnes of propane, 420,000 tonnes of butane, 220,000 tonnes of sulphur and 180,000 tons of natural gasoline. To do this the plant would need an intake of 550m cubic feet a day of gas. To produce this *amount of gas the oil production ceilings* at Umm Shaif would have had to be lifted—and it was uncertain that it could produce enough associated gas for ADGLC to operate at full capacity.

In the event production from Umm Shaif has actually been cut back—in the context of Abu Dhabi's conservation measures—from the average of the last quarter of *last year* of 330,000 b/d to 250,000 b/d, which would make available only 275,000 cfd of associated gas for ADGLC. The solution to this problem is to draw on cap gas from Umm Shaif in the first instance and meanwhile build a pipeline to bring extra gas from the Zakum field.

The $565m plant was built by Bechtel of the U.S. and Chiyoda Chemical Engineering of Japan under the supervision of BP. It has a number of special designs features such as a sophisticated flare system and safety devices to deal with failures in vital components (compressors, generators and so on). It was largely prefabricated in Abu Dhabi and transported to Das Island by barge.

But from the start, at the beginning of 1977, the plant was dogged by aggravating technical problems. The first shipment of gas to Tokyo was in the tanker *Hilli* and when it discharged "foreign bodies" were found in its pipelines. This meant that the company had to renew clearance for its ships.

Before that, surface cracks were detected on the cryogenic feedlines to one of the liquefaction trains which had led to a cutback in production.

Then in March of this year it was discovered that the outer skin of one of the storage tanks had developed a leak which meant that the plant had to be shut down briefly while the cause was determined and repairs effected. The storage *tank itself is now out of action* for a period of up to six months. Although a second tank is being used, the company is having a struggle to maintain production at 60 per cent of capacity, a good fifth below the production levels that had been hoped for—scaled down in view of the gas supply difficulty.

The early estimates envisaged a sales value of roughly $1m a day, but the severe drop in output distorted *the cash-flow projections*. Short-term bridging finance was needed to cover the shortfall in income and it was later decided to convert these borrowings into longer-term finance. The possibility of raising further money from the shareholders (other than ADNOC) is also under discussion. Part of the proposed new long-term financing (the company is capitalised at $105m) is a proposed $75m Euro-borrowing.

This too has had a fraught gestation period, changing from a syndicated loan package for $100m to a club deal placement for $75m; only $50m of which ADNOC will guarantee ($25m has been raised through the *National* Bank of Abu Dhabi). The rest the lenders will have to place on trust as ADNOC refuses to allow future cash flow projections to be shown. Possibly the only aspect of the deal that is attractive to potential lenders is the fact that the majority shareholder *in the project* is the wealthy State of Abu Dhabi, through its national oil company.

ADGLC, being the Gulf's first lng plant, has suffered all its initial problems in a relative glare of publicity, accompanied by adverse comment about the prospects for heavy industry in the Gulf. (Qatar suffered much the same with the troubles of its fertiliser plant and after the explosion that destroyed its first NGL plan.) It is possible that *the difficulties of* constructing highly complex plant in the severe climate of the Gulf, with the lack of industrial background and limited skills of workers (*most of them* immigrants) were underestimated in the initial feasibility studies. But Gulf States have only three choices where their gas resources are concerned: to leave them, flare them, or to process and export them. The possession of gas reserves is a less unmixed blessing than the possession of oil.

Different

Dubai has taken a rather different attitude to its gas resources than Abu Dhabi. The industries going ahead — the power/desalination complex, *the aluminium smelter* and the gas processing plant—require considerably more gas than the Emirate is currently able to produce.

In December last year the Dubai gas processing company Dugas signed a contract with the small Emirate of Umm al Quiwain to process its gas reserves, which are associated with the small oil-field some 15 miles away from Sharjah's offshore Mubarak field. Under this agreement Dugas is to spend just under $40m on developing Umm al Qu'wain's offshore gas field, which may supply the company with around 60m cubic feet a day of gas. It was hoped that production from Umm al Qu'wain would start early next year. A submarine pipeline will carry Umm al Qu'wain's gas to its town where some of it will be used in a power plant and other industries, and another to Jebel Ali.

The agreement is subject to a final test of the field's reserves. The Emirate has also had preliminary talks on bringing gas from a find in Oman south of Buraimi to *Dubai*. The find, by a consortium of Gulf and Quintana, is still at the stage of [illegible] be substantial.

Dugas is the [illegible] of Dubai's ambitious [illegible] plans [illegible] portion [illegible] intended [illegible] is [illegible] aluminium [illegible] desalination [illegible] the aluminium smelter. The plant, consisting of five 80MW steam turbines [illegible] desalination [illegible] 25m gallons a day of [illegible] water [illegible] between Dubai and the American company Sunningdale Oil which has the minority 20 per cent stake.

Sunningdale is also [illegible] in the project [illegible] exclusive [illegible] the gas industry in Dubai. The $400m-plus plant is being constructed by McDermott and Hudson Engineering of Houston. It is due for completion at the end of next year.

The Dugas plant was designed to process all of Dubai's possible gas production, which has been estimated 1.4bn cubic metres a year. It is planned to produce 37,000 tonnes a year of propane, 26,000 tonnes of butane, 2.3m barrels of condensate and 60m cubic feet a day of gas for industrial plants at Jebel Ali. The Japanese concern C. Itoh will be taking 60 per cent of the plant's exportable production.

The youngest, and likely to be the most expensive, of Abu Dhabi's gas processing projects is only now beginning to take formal shape after a number of years of costly haggling and indecision. The project, which, like the Das Island scheme was first proposed in 1973, is to collect, process and export the associated gas from the onshore oil fields of Bu Hasa, Asab and Bab which are presently managed by the Abu Dhabi Petroleum Company. When it was first mooted the project was expected to cost around $400m—the cost, and who should put up how much money have been major factors delaying implementation. The cost of the project has now escalated to around $1.7bn. The financial implications of this delay have made a deep impression on Abu Dhabi's own oilmen.

Negotiations are in progress to form an operating company, to be called Gasco, which will have Adnoc as its majority shareholder. Shell and CFP are likely to be the other main shareholders with the possibility of Partex taking a small stake. The main problem is the size of the plant and its basic economics in view of the Government's decision to reduce oil production from the fields from which the plant will be drawing its gas.

Shell and CFP are both shareholders in ADPC, the other shareholders in the oil company being BP, Exxon and Mobil. At one time in 1976 the whole ADPC group was to be involved as a 40 per cent minority partner with Adnoc, but Adnoc decided that the financing terms were too much in favour of ADPC's shareholders. Last year, shortly after the collapse of that projected joint venture, Adnoc announced it would assume control of the whole project itself.

In April last year various construction contracts were let, principally to the American companies Bechtel and Fluor. Bechtel is to construct two natural gas processing plants at an estimated cost of $400m, while Fluor is to build a $250m plant to produce 500m cubic feet a day of feed gas. Contracts yet to be awarded include the pipelines from the gas fields to Abu Dhabi's proposed industrial town at Ruwais and for an export jetty there.

At present only contracts for Stage I of the project have been let. (Stage II would involve the reinjection of the gas to enrich it as well as to maintain pressure in the oil wells) and no major work has yet taken place beyond site clearance. It is still intended officially, however, that the plant should be producing in 1980.

Doina Thomas

AID

CONTINUED FROM PREVIOUS PAGE

In practice aid disbursements out of Abu Dhabi's income may well stabilise at around the present level simply because the Emirate's other financial commitments are rising. The actual disbursements rose from Dh 2.1bn in 1974 to Dh 3.8bn in 1975, Dh 3.9bn in 1976 and Dh 4.2bn in 1977, and are likely to be around the Dh 4bn level this year.

But with rising project implementation under the federal budget and the still growing spending (for the moment) on Abu Dhabi itself, combined with the current drop in oil revenue, the Emirate's surplus is fast dwindling. There is likely to be greater pressure *within Abu Dhabi for the Abu* Dhabi Investment Authority, which handles the Emirate's "pension fund." to continue to have its capital increased, if *necessary at the expense of aid*.

Since the UAE's place in the world is fairly well assured there should be few reservations on this score from reducing aid *disbursements; the problem is* likely to lie actually in cutting out specific beneficiaries, especially in an inflatonary age. Some 75 per cent of Abu Dhabi's aid is believed to go to the front-line Arab States—Egypt, Syria and Jordan (with assistance too to the Palestine Liberation Organisation). This is an item which could prove hard to scale down—indeed Abu Dhabi may shortly find itself being asked to make a further contribution *to the Gulf Organisation for the* Development of Egypt (GODE), some 15 per cent of whose capital of $3bn is paid by the UAE. And though the major outflow of funds to the variety of inter-Arab companies which have been set up since the 1973/1974 oil price rise is over, they *could well be back asking for* more capital which it could prove difficult to refuse.

Other aid commitments handled through the Finance Department and under the supervision of the Ministry of Foreign Affairs include such items as paying for a road in Sudan, and supporting projects in Oman, North and South Yemen, Djibouti, Somalia and, outside the Arab League States, Pakistan, and in many other Asian and African States. In some cases, such as during Somalia's recent war with Ethiopia (in which the UAE was firmly on the side of Somalia and provided limited military assistance) direct budget/balance of payments support may be given.

To an increasing extent aid commitments incurred and paid for by the Government are being supervised by the Abu Dhabi Fund—such as projects in the Maldive Islands, Syria and Somalia and the improvement of the Suez Canal in Egypt. The Fund does, however, *draw the line at becoming* involved in certain projects which it considers do not fit its criteria for economic justification.

Expertise

Now under the direction of Mr. Nasser Nowais, the Fund *is continually gaining expertise* and has now disbursed about Dh 700m against total commitments of Dh 1.6bn and will soon have to have its capital of Dh 2bn increased. As its experience grows so it finances more projects on the strength of its own appraisals, rather than those of other aid-giving institutions, but like all the Arab aid funds it sensibly relies to a considerable extent on co-financing projects with *other institutions*, and there is almost continual contact between the Arab aid funds, with a meeting of the heads of the funds twice a year.

The Fund, which was set up in 1971 but did not start operating until 1973, decided in 1974 like other funds to widen the scope of its *lending from the* Arab world to beyond, and particularly to Africa, where it is assisting about 15 countries; it also has projects in about eight *Asian States*. A geographical breakdown of the Fund's commitments during 1977 showed that while Arab African countries took 26.5 per cent., and non-Arab Africa 21.4 per cent, other Arab countries took 37.8 per cent and non-Arab Asian countries 14.3 per cent.

As for sector priorities the Fund is notable for the fact that, unlike some the other Arab aid-giving institutions, it lends a large proportion of its money to industrial projects—about 45 per cent to date. This is partly because infrastructure projects are often financed by the UAE Government and to some extent the Fund and the Government can combine to make a package. An equal proportion of the Fund's resources are committed to infrastructure—mainly power supplies and transport—and the relatively small amount of less than 9 per cent to agricultural projects.

Whereas much of the money disbursed by the Government directly is in practice if not in theory on grant terms, the Fund *naturally* has strict rules on repayment terms—and if these are not particularly onerous they are likely to be enforced. Interest rates range from three *to five per cent normally*, maturities from 12 to 22.5 years, and grace periods from 1.5 to eight years. The Fund's terms are decided on the basis of what sort of project is being financed, rather than on how poor a country is. Infrastructure loans usually carry the softest terms, industry loans the stiffest.

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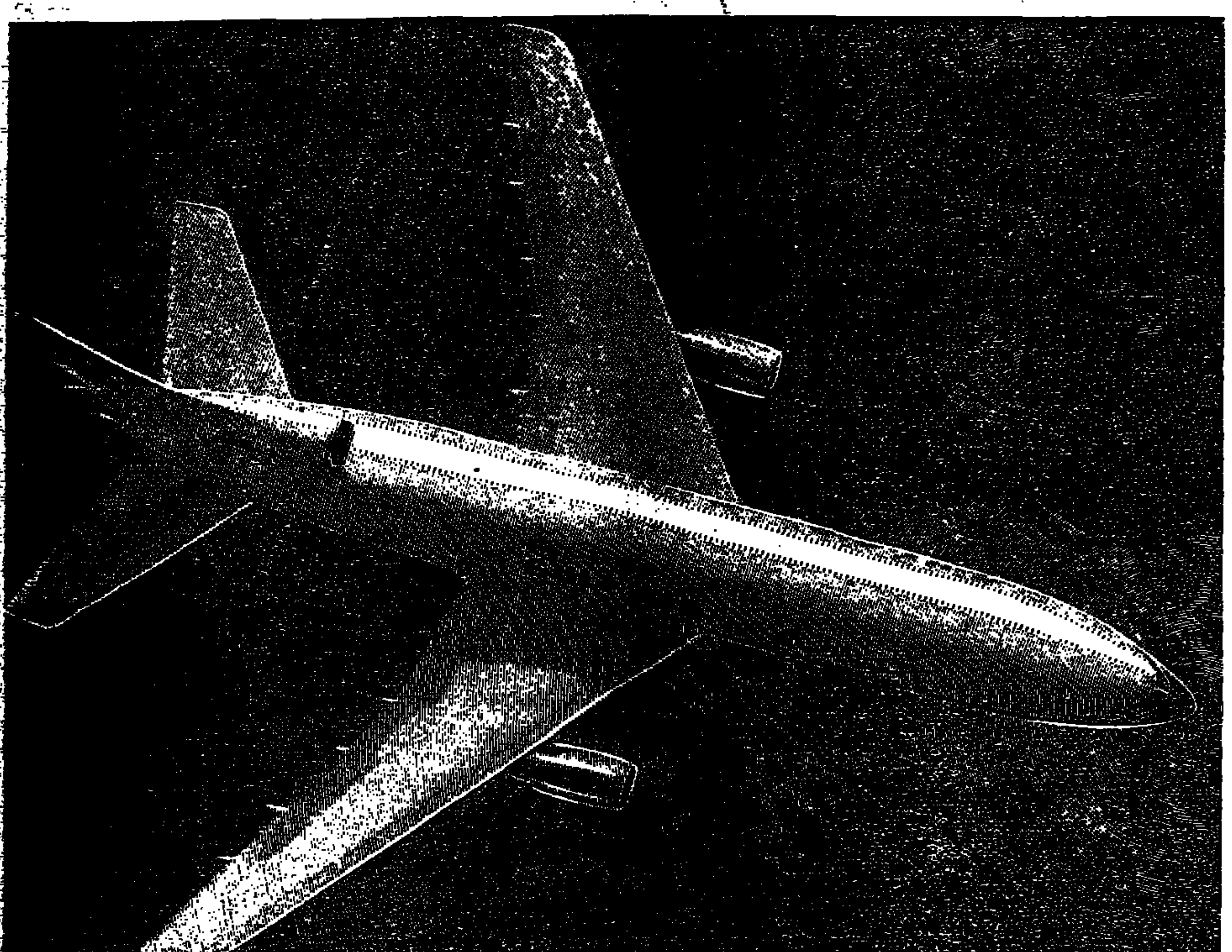

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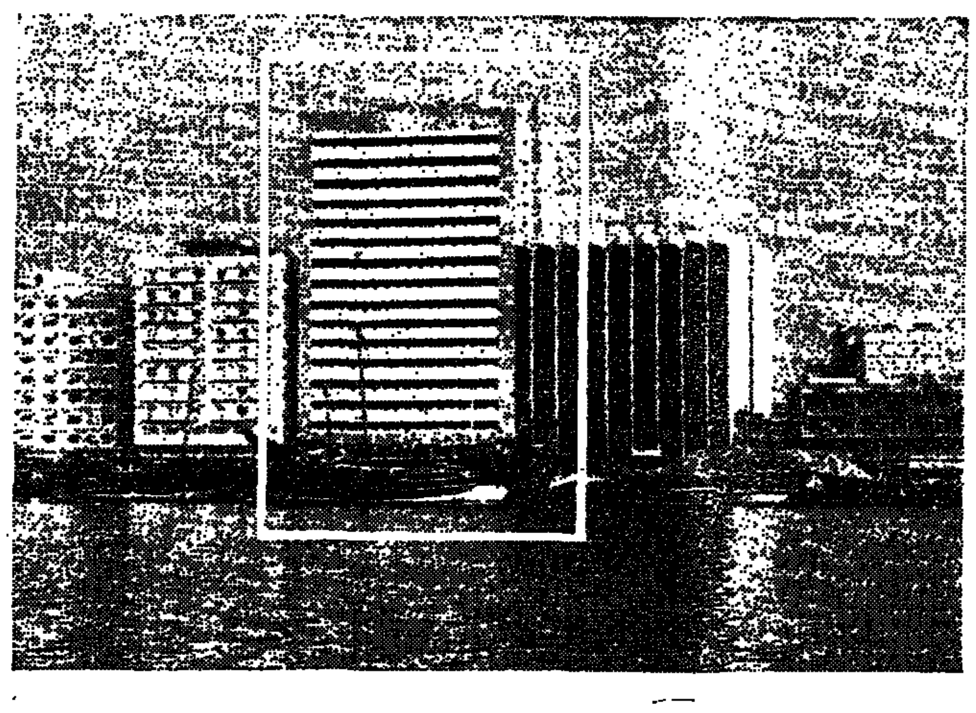

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The National Cement Company of Dubai works, the largest on the Gulf, was built by Costain International. The first test firing took place last month.

INDUSTRY

Lack of planning

INDUSTRY IN the United Arab Emirates is developing fast but not along the lines intended by the Federal Government. Large capital investment is going into industry in the different member states but there is no co-ordination, no planning and widespread duplication of projects. Nor is there much sign of a change in this trend.

The Federal Government has not itself started any industries (although the Ministry of Finance and Industry was set up in 1973) and seems to have little influence over the numerous bodies which are involved in actually setting up factories. This is unfortunate, because there is an increasing awareness in Abu Dhabi, the federal capital, of the pitfalls of industrialisation. The federal Government wants to hold back on activity while efforts are made to reassess the value and consequences of the UAE becoming an industrial state.

Recently Sheikh Hamdan bin Rashid al Maktoum, the federal Minister of Finance and Industry and son of Sheikh Rashid of Dubai, publicly criticised industrialisation policies in the Gulf. "Believe me," he said, "all our industrial projects in the Gulf are running at an annual loss of not less than 10-15 per cent of their capital for a number of reasons. For whom are we squandering our money on unscrutinised projects? Is it only to prove to others that we are industrialising?"

But the Ministry of Planning has not yet developed the teeth to stop individual Emirates doing what they choose, and the trend of locally and regionally uncoordinated investment continues. It seems unlikely to alter until the federation matures politically, and in the meantime there is a danger that industrialisation may take a course which could damage the UAE economically and socially.

VALUE OF PRODUCTION OF UAE MANUFACTURING INDUSTRIES (Dh. m)

	1972	1973	1974	1975	1976	1977
Food industries	100	131	181	232	288	344
Paper industries	8	10	12	16	20	25
Press and printing	30	40	65	90	115	135
Wood furniture	50	50	70	90	110	150
Petrochemicals and chemicals	30	40	60	75	225	1,350
Basic minerals	30	35	45	52	65	70
Mineral products	41	55	70	85	130	150
Non-mineral products	80	80	100	120	300	450
Engineering	30	45	60	80	120	150
Others	51	64	78	100	127	156
Total value	480	550	741	940	1,500	2,980
Added value	180	230	310	390	625	1,240

Source: Ministry of Planning

Strongest

Even in Abu Dhabi, where advocacy of coordinated federal planning is at its strongest, two bodies have responsibility for industrial planning and investment — the Department of Petroleum and Industry and the Abu Dhabi National Oil Company (ADNOC) — and these operate independently of two federal bodies, the Ministry of Planning and the UAE Development Bank, which was never very effective and has now become virtually moribund.

In the other Emirates industries have often developed at the whim of rulers and advisers, sometimes with startingly little consideration for even the most basic economic rules like an examination of markets. Throughout the UAE a proliferation of smaller factories and workshops, often linked with the building boom, are developing on the initiative of individuals who have until now been unhampered but also unaided by basic monetary policy or even legal guidelines.

The Ministry of Planning records show that 17 major new industrial projects have gone into production in the last two years. These have cost $1.7bn, including a huge chunk of $800m for the gas liquefaction plant on Das Island.

After the gas plant the biggest investments have been the cement plants in Abu Dhabi, Ras al Khaimah and Sharjah, with Dubai's shortly to come on-stream. Of those in operation only Ras al Khaimah has concentrated on producing sulphur-resistant cement which is necessary in construction in humid saline conditions. (Abu Dhabi spends time and vast sums of money trying to prevent erosion of roadside kerbstones by applying protective paints, though with little success).

Though cement production capacity within the UAE is still short of local demand, this may no longer be the case when the building boom finally dies down. Yet plans are still being formulated for more cement plants—recently Ras al Khaimah announced that Kuwait would finance a 500,000 tons plant, justified by the Emirate on the ground that the entire output was destined for export to Kuwait—while in each Emirate private businessmen continue to plan tile factories, marble workshops, stone factories and aluminium extrusion plants with no regard for duplication elsewhere in the federation and as though the construction boom will continue forever. Pointers to the lack of planning can be found in the recent closure of Ras al Khaimah's fish meal factory.

Dubai is almost in a different class in the scale of the industrialisation that it envisages, and it could be argued that those plants now being built at Jebel Ali are finely calculated to meet the needs of the market in other Gulf states, or, like the aluminium smelter, the world market.

The Jebel Ali project is the largest of its kind conceived in the Third World, a fact brought home by a drive from Dubai to Abu Dhabi where the road passes mile after mile of earth-moving and construction during the simultaneous building of the huge harbour, gas liquefaction plant, the aluminium smelter, and power station.

The aluminium plant will be the hub of the industrial complex. It will take feedstock gas from a number of different sources (including Umm al Qaiwain and possibly Oman), generating power from gas turbines with an installed capacity of 525 MW, enough to produce 25m gallons a day of water from the desalination units (the smelter will need 500,000 gallons a day), with power left over for other industrial and domestic requirements in Jebel Ali and Dubai. Some observers believe the desalination output will be as important in economic terms as production of metal, since the water will form an integral part of the infrastructure of the entire complex.

The creation of Dubai Aluminium (Dubal) has already caused controversy in the region, and news of Sheikh Rashid's plans for an aluminium smelter were greeted with alarm in Bahrain, which built the first smelter in the area. The new smelter's profitability was immediately questioned, particularly when it was learned that the first estimates of the smelter's cost was more than $600m.

Dubal is owned 80 per cent by the Dubai Government, with holdings by Southwire Corporation of the U.S. (7.5 per cent), Nissho Iwai of Japan (7.5 per cent) and local interests (5 per cent). The main contractor is British Smelter Constructions, an association of George Wimpey and Selection Trust, a U.K. Finance group. The desalination contract has gone to Weir Westgarth of the U.K. and a West German consortium under Kloeckner Humbolt Deutz (and including Krupp, Ferostaal and the Reidhammer companies) is doing the carbon plant. Alcoa of Australia already has a contract with Dubal to supply 200,000 tons of alumina (which will make 100,000 tons of metal), and Dubal may buy the remaining alumina on spot (the capacity of the smelter is 135,000 tons). Water from desalination units will be produced at the end of 1978, the first metal is due to be produced late in 1979 with production start up due in the second quarter of 1981.

Ian Livingstone, former head of Bahrain's aluminium plant, is now managing director of Dubal. He believes that, although further finance will be required, Dubal will eventually make money. He stresses the importance of the water production. The output has been pre-sold to Alcan and Southwire, which will buy all the metal produced. The Government of Dubai can reserve and take 20 per cent of production if it wishes. Asked about the profitability of so expensive a project he said: "It is not just a smelter. A large part of the investment is for water production. With petrodollar surpluses and oil states with economies to build you cannot necessarily judge the economics of projects in the traditional way. The conventional wisdom of industrial investment has broken down."

Aims

One of the aims of the Dubai Government's investment in Jebel Ali is to attract private industry. The hope is that the 74 berth port will draw in industrial manufacturers who will be able to import goods freely through the port and develop re-export industries, using low cost labour.

The British company Cleveland Bridge and Engineering has already established a joint venture with Abdel Wahab Galadari, a local businessman, which is already producing structural steel. The factory has just opened formally but it has been producing structures for a number of projects, including the aluminium smelter, since February this year. It is a small factory (total investment Dr. 20m) with a capacity of 1,000 tons a month based for the moment on raw steel imported from Europe to Dubai. The company already has orders to cover the first six months of full production from Saudi Arabia and Egypt, apart from local orders.

BICC is currently constructing a factory at Jebel Ali for cable manufacture. This is a joint venture in which the Dubai Government has 60 per cent and the British company 40 per cent. The company plans to avoid commitments to the aluminium smelter for the moment and will probably import copper for its production. The venture is regarded by BICC as an excellent promoter of general sales in the region, though it accepts that the market will be confined to the UAE, Bahrain and Qatar because potential markets like Iran, Pakistan and Iraq have their own sources of supply.

An aluminium extrusion plant has just been completed, and Tube Investments is considering a factory for aluminium and steel manufacture.

While Dubai has been pushing ahead firmly with plans to become an industrial state, Abu Dhabi has scaled down its own plans for the industrial complex at Ruwais, aware of the dangers of regional duplication and the creation of unprofitable plants, but with the implications of a city largely inhabited by immigrants the chief of its concerns.

Originally Ruwais was to have had a gas liquefication plant, an export refinery, a urea/ammonia plant, an ethylene cracker and an iron and steel plant. Now it looks likely to be confined for the time being at least to the export refinery and the gas plant, work on both of which is expected to begin fairly shortly.

Persuasive

Mr. Saeed Ghobash, Federal Minister of Planning, believes that the country is the victim of the persuasive sales patter of advisers and foreign consultants, in whose hands the Emirates have been and will remain as long as the local population stays unskilled and inexpert. He said in an interview: "In the past there was no clear policy. We started without plans. There was no monetary policy, not even basic laws of trade in the past four years. This was responsible for the situation.

"I believe in free enterprise but I do think one should have controls. We are an underpopulated country and I don't think we should industrialise into labour-intensive projects. Examining the Gulf we see similar circumstances. We particularly should come to some kind of cooperation on petrochemical development. We must create some kind of integration. We should go for light industry which will not require major labour and will supply the local market."

As part of its evaluation the federal Government is concluding surveys of mineral resources, water, industries (with UNIDO) and manpower (with the World Bank). There is greater awareness than a year ago of the need for regional co-operation (Saudi Arabia has abandoned plans for its aluminium smelter, Abu Dhabi has dropped its fertiliser factory). The regional aspect is now recognised as important, but industrial integration in the Gulf cannot be dealt with until there is internal co-ordination within the UAE. This depends on greater political integration and until this occurs there seems little prospect of an end to unplanned and uncoordinated industrial development.

Michael Tingay

INFRASTRUCTURE

Building from the bottom

DESPITE THE size of its oil revenue the economy of the UAE is small. The state is a fascinating model of a country being built from the bottom upwards—and the visitor can see exactly what is going on from above, below and all around.

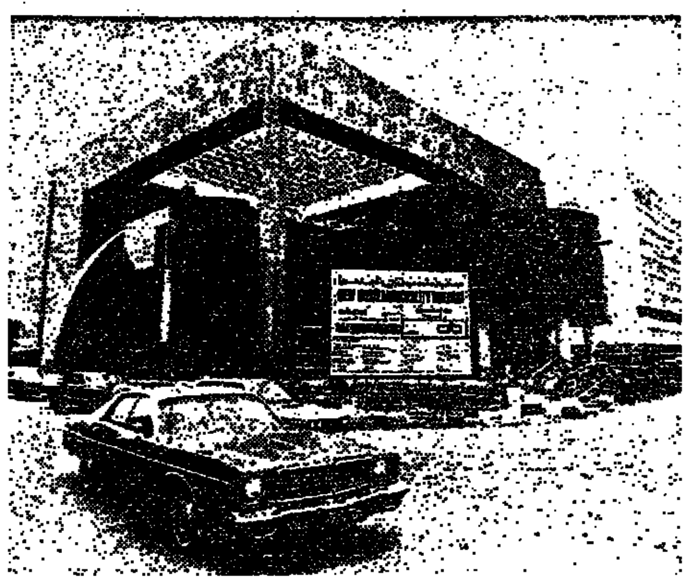
The process is easy to define and examine. First one must lay the physical infrastructure—roads, water, electricity; then supply the social infrastructure—housing, hospitals, schools; finally develop the human infrastructure—educate the people who will administer the social-economic structure that has been built.

In the UAE political circumstances affect the process. The model is marred by physical infrastructure often of unsuitable scale, and by unnecessary duplication largely because the federation is not yet a unified entity. Absence of effective central planning means that Emirates may not know or care what their fellows are doing. Inter-Emirate rivalry often spurs rulers to vie for the most prestigious project. In some cases rulers are unwilling to rely on the federal Government for a service which might give "an outsider" a hold over them.

Development of human infrastructure is the most important phase, hence the Government's stress on education as its first priority. It is also the most complex. The advent of money sent UAE society from camels to cars overnight. Education may well transform nomads and villagers into people unsuited and unwilling to be the humble functionaries of the economy. Much of the economy's value added, and what might be called the "social value added," will always be provided by foreigners since education will not alter the local population's minority status. Universities may create a nation of assistant deputy under-secretaries.

Completion or virtual completion of the road system is the single greatest physical achievement in the UAE. The network to which finishing touches are still being put, has already had the most profound effect on the lives of nomads, farmers and fishermen. The isolated oasis dwellers are now linked socially and economically to the towns. Al Ain, once an isolated group of oases, now has a university and has become a stopping point for traffic en route between Dubai or Abu Dhabi and Oman. Development of the road system permits the development of an industrial complex like Ruwais, which itself will have a profound effect on economy and society. An Emirate like Ras al Khaimah, which has had an existence economically and socially independent from the other Emirates for hundreds of years, and was first linked by road to the outside world ten years ago, is now only an hour or two away from the main population centres; it quickly became chief supplier of farm produce to the rest of UAE. A town like Dibba, located in the north-easternmost point of the UAE, will benefit from 20th century amenities for the first time because Fujairah's road network has been completed. Without the road network consideration could not have even been cast at a plan suggested for federal water supply involving a huge desalination plant at Dibba.

Water supply is the most critical element of infrastructural development after the road network. The UAE has no coordinated water policy and has not completed a federal water survey. The Federal Government has not begun to come to terms with the water supply problem. Planners have recognised that the developed society will require more water than the finite supplies available, but not Emirate is yet willing to risk dependency on a federal water grid. One hydrologist said: "It is hard to convince different Emirates that they are drinking from the same tap."



The new Dubai Municipality building, currently under construction.

Fertile

Most water is drawn by wells from a central aquifer running north from Al Ain as far as the fertile Digdaga area in Ras al Khaimah. The UN Economic Commision for West Asia estimated that the underground reservoir holds between 160 and 270m cubic metres. Two years ago consumption had reached 164m cubic metres a year, according to qualified estimates. Aquifer replenishment is estimated at 100m cubic metres a year.

Just as in the cities there is little control mechanism to prevent property speculation, so the Ministry of Agriculture and Fisheries cannot prevent individuals from drilling wells where they choose. Indeed it is bound to supply water to any citizen who applies for land, something which the Government is encouraging—the Bedouin nomads to do. The result is a rising water table of increasing salinity which is spreading inland from the west coast. Farmers have noted salt content of up to 5,000 parts per million in badly affected areas. (The maximum acceptable salinity for irrigation is 3,000 ppm.) To minimise wastage the Government has introduced the use of sprinkler systems at farms like Digdaga and is experimenting with drip and trickle irrigation, which can cut wastage by up to 75 per cent.

Unlike Saudi Arabia, towns in the UAE could be wholly supplied by desalinated water. Urban populations are small in an absolute sense. Abu Dhabi, which used to take most of its water by pipeline from the wells of Al Ain, is now dependent on desalinated water. The UAE has the money to buy power and desalination units on a large scale. But water costs far more supplied in this way and the UAE will have to ensure that its income for the post-oil period is large enough to use this source in the long term. Dubai is a good example of the manageable size of urban water supply (provided the money remains available). By the end of 1978 Dubai will need 23m gallons of water a day. This will be near the limits of production of well-water, which currently produce 13m gpd. But the desalination units at Jebel Ali (whose first customer will be the aluminium smelter) will have a capacity of 25m gpd, most of which will go to fill the gap in Dubai's domestic needs.

What the UAE will probably discover, as plans for power and desalination stations go on stream, is that adequate urban water will be available but the reticulation system in the towns will be overstrained. The U.S. Bureau of Reclamation has been studying water supply for the Federal Government and has recommended that two dams be built in the northern mountains at Wadi Bih in Ras al Khaimah and Wadi Ham in Fujairah. This would temporarily prevent huge water losses through flash floods. If northern dams and the suggested Dibba desalination programme are ever implemented the administration will still be left with two problems—the unwillingness of the rulers to depend on federal supplies and the inability of the urban reticulation system to handle water pressures from a national grid.

The problem of electricity distribution is no easier. Each Emirate is developing power generation capacity with insufficient thought for the distribution network and less consideration of a national grid system. Until a national grid is developed resources will be wasted by duplication of stations. Sharjah, the Emirate most conscious of the need for urban planning and one of the few which bothered to lay drains, water and electricity supply before constructing city blocks, is hampered, now it has enough generating capacity, by the absence of an adequate distribution network.

Destruction

Implicit in the development of the UAE is the destruction of the nomadic way of life. Planners see the social change as a fair price to be paid for the greater economic and social benefits of housing, health and education. The target of housing schemes by the federal Government and individual Emirates is 7,500 homes a year. The UAE federal budget includes provision for 2,500 low-cost homes in Abu Dhabi's Al Ain and 2,000 low-cost homes (the term is strictly relative) in the poor Emirates. However, in Fujairah for example, where the majority of the rural population is not nomadic but settled in farming or fishing villages, the carefully designed prefabricated single-storey houses have been rejected. The people find their own designs and life-style preferable to the electric-powered air-conditioning units supplied by the Government. Those that do opt for the modern life prefer to migrate to the cities. Nomadic bedouins have even less incentive to settle. Some even by-pass the system by accepting housing and farm land allocated but leave it to be tended by imported foreign managers and labourers.

Each of the Emirates has suffered from unco-ordinated construction of apartments, offices and showrooms. Local chauvinism and the intoxication of the boom meant that Emirate-governments did not see the relationship between nationwide construction and the development of buildings in their own Emirate. The UAE does not even have a system to monitor let alone control or prevent individuals from building. The result is well known. Abu Dhabi, Dubai and Sharjah are building or have built too many hotels, offices and apartments.

Construction of too many buildings is a consequence of unawareness by individuals and administrations, but much of UAE's infrastructural duplication is caused by old-fashioned rivalry. This is one reason why all the Emirates are building ports with a capacity far beyond the requirements of the region. A recent estimate was that the Gulf has 150 berths in 15 ports at present. This would rise to 476 berths at 24 ports if all plans were completed. The UAE has more than its fair share with a projected rise (on paper) of 40 berths to 213.

While port development is a partial consequence of the notorious port congestion in the early days of the boom, development of airports is more closely connected to Emirate prestige and rivalry. A small country with good roads does not need four airports, let alone the seven or so which could eventually be built. The ultimate in oneupmanship is Ras al Khaimah's earth satellite station, which connects that Emirate's few hundred telephone subscribers to New York while they cannot dial direct to other parts of the UAE.

The third reason for infrastructural duplication, fear of becoming dependent on a neighbour for services, has been dealt with in discussion of water and electricity supplies. It is generally agreed that until this hurdle is overcome federal Government will not be able to impose comprehensive planning on the country. It is also probable that the rulers will resist federal control of water and power supplies longer and harder than even the total unification of the armed forces.

When the physical and social infrastructure of the UAE model is completed the human infrastructure will still be under construction. Social problems with significant implications for the system have already been encountered at village level. In the countryside once-isolated villages now linked by roads provide schooling for the youngsters. Parents are given grants to persuade them to leave children in school beyond the age of 11, though the drop out rate remains high. Those who do stay on leave school with certificates and aspirations to match. The children learn by repetition and rote — what one teacher calls "the Egyptian shouting method" (a reference to the number of Egyptian teachers). They go to the towns with inflated ambitions, anxious for fast promotion to be boss, mayor or cabinet minister. In their judgement jobs like trading or driving a taxi are for the illiterate, and manual work something worse.

Escalate

The problem may escalate as the number of youngsters with secondary education grows. Al Ain university has opened with 400 boys and 150 girls, all of them justifiably aspiring to positions of leadership in the community. As the education machine gets into gear one must question whether the economy will fulfil the career hopes of all of them.

At worst this will become a potential cause of instability. At best the UAE will have changed from a society run for a minority of locals by a majority of foreigners into one run by a native elite controlling a huge foreign workforce. Neither creates the prospect of a well balanced society, but the surplus revenue oil state is a new phenomenon in the world, and it is difficult to predict its future.

Michael Tingay

PORTS AND AIRPORTS

Overcapacity ahead

AT ONE time during 1976 it seemed as though the UAE would have more shipping berths than it had bank branches which, for a chronically overbanked country, would have been quite a feat. However, the business slowdown during 1977, which gradually cleared the congestion at the UAE's ports, also relaxed the pressure on the planners, who had been bemused by a more than 600 per cent increase in the value of imports since 1973. Net imports (that is, imports minus re-exports) into the UAE in 1977 were valued at roughly $3.5bn, about $4,000-worth of goods per head of population.

The first of the Emirates to scale down its port development plans was Abu Dhabi, whose port takes in about a third of the Federation's imports. The expansion and contraction of Abu Dhabi's plans more or less followed the economic pattern. Until about three years ago Abu Dhabi was content to plan for a port with 19 berths. Then as demand for goods escalated and port waiting time increased, successive plans for a new outer harbour and increasing the inner harbour's number of berths were put forward, until at one point in 1977 there was talk of Abu Dhabi port having 63 berths. Now it looks as though 19 is once again to be the maximum: the first 16 are finished and the last three nearing completion. In September of last year the outer harbour plan was definitely shelved and the expansion of the inner harbour is no longer a priority.

The main entrepot for the UAE is still Port Rashid in Dubai, although neighbouring Sharjah is mounting an aggressive marketing campaign to match it as the freight centre for the Emirates. Total imports into Dubai at the end of last year came to $3.3bn of which a probable fifth was re-exported. In tonnage terms this indicates a throughput of 6m tons a year with 1.2m tons being for destinations other than Dubai.

The Dubai Port Services company is now operating 20 berths, 16 for general cargo and four for direct delivery. Another 17 berths are under construction by the Costain-Taylor Woodrow joint venture (which is building the drydock next to Port Rashid) and these should be ready in 1980. The port authority is expecting the joint venture to hand over another four completed berths this summer. There has been tremendous growth in container carried cargo to both Port Rashid and Sharjah's Port Khalid. In 1976 Port Rashid received only 400 containers a month, but last year the total was 54,000 (more than ten times as many) and the expectation for this year is 100,000. In April this year (imports in the UAE were sharply up) Port Khalid handled a record 11,423 TEU's (20 foot equivalents, the standard container is 20 foot long).

Container

Of the new berths to come at Port Rashid five will be container berths equipped with container handling equipment. (Last year the port bought two £1m Tango 80 cranes modified for container handling on number 10 berth.) April was a good month for Port Rashid: tonnage handled reached a high for the year of 666,000 tons (of which at least 33,000 were cement in some form or other) which was also a record for the port to date.

Both Port Rashid and Port Khalid are planning more facilities for roll on/roll off traffic, which is also a growing part of Gulf freight business. Sharjah Port Authority already has one ro-ro berth operating and believes that ro/ro traffic has the greatest growth potential of all forms of freight traffic in the Gulf. Sharjah also offers ro/ro lines for their own stacking lines for the goods offloaded.

Dubai's posperity was built on its port activities, starting with the dredging of Dubai creek by Shaikh Rashid some 20 years ago and the more recent construction of the original berth Port Rashid. Port capacity, therefore, has an emotional importance to Dubai which may expain why the State is persisting with its ambitious industrial port plans in spite o fthe economic slowdown in all the Gulf States. Mina Jebel Ali will, according to present plans, become a 74 berth deepwater port to serve the fledgling industrial hinterland. The project is likely to cost in excess of £400m and will be complete in two years.

A special company has been set up to build the port. Mina Jebel Ali Construction is a joint venture between Balfour Beatty, Duba Transport Company and Stevin Construction. The ubiquitous Halcrow civil engineering consultancy has the overall consultancy contract for the project. The construction contract, which was awarded in 1976 at the height of the Gulf boom when anything seemed possible, appears to be proceeding on schedule. When it is completed about 100m cubic feet of sand and rock will have been dredged away by the main dredging contractor, Gulf Cobla, and two subcontractors, resulting in a new, artificial creek and a 17 kilometre, 16 metre deep channel out to sea. The port will have 2,200 metres of wharfage and 15 km of quay.

The success of Mina Jebel Ali will depend very greatly on the marketing of Jebel Ali as an industrial site for the region. The success of Sharjah's ambitious freight handling plans will depend on the marketing ability of Sharjah's port authorities as well as their management capabilities for they have both to woo new traffic and to offer concrete advantages over Dubai's efficient and established Port Rashid.

The concept of Sharjah as a freight centre, both for air and sea cargo, is a seductive one. The State plans to have 14 conventional berths operational by 1979 and seven are already operating. Berths one and two are leased to a container line which also operates a feeder line service to other Gulf destinations. Port Khalid was the first UAE port to build a special ro/ro facility, and it is now also planning to add cold storage capacity to its general warehousing. (Halcrows is also the consultant to this project of Dubai's arch rival in trade matters.) Sharjah is also building a deepwater harbour and container terminal at Khor Fakkan on the Gulf of Oman, which should be ready by the autumn of this year.

The argument put forward by Sharjah's port managers is that Sharjah is the "natural" freight centre for the Emirates because it is (a) physically central and connected into the developing Arabian road network, (b) has the only deepwater port in the UAE at Khor Fakkan which will be a specialist container port, (c) has one of the most modern and flexible conventional ports at Port Khalid in the Gulf and (d) has an under-utilised international airport. The port management wants to persuade shipping lines to unload containers from the larger vessels at Khor Fakkan for transhipment by either feeder vessel or truck to other Gulf destinations; or to take smaller conventional and container vessels to Port Khalid for transhipment again either by feeder vessel, or by truck, or by air from Sharjah International airport.

This means persuading shipping lines to offer a sensible rate structure for transhipment, and to persuade airlines to call at Sharjah's international airport. There is a feeder container service operating from Sharjah at the moment, but it is comparatively expensive, for example, it costs about $2,000 or so to bring one 20 ft container from Britain to the UAE now, so the importer is going to baulk at paying a further $500 or so to get his container from Sharjah to, say, Doha which is just up the Gulf.

Sharjah's port authorities can so far chalk up one notable success. Some 200,000 sq ft of storage space have been leased to Hengh Ugland Auto Liners behind the ro/ro berth for the storage of the vehicles it brings in. The line is now importing in around 3,000 units a month of which half are re-exported. Other major users of Sharjah's Port Khalid include Medtainer which operates the container berths and offers the feeder line service, and the American container line, Seatrain.

Sharjah's international airport, which is part of the package of Sharjah as a freight handling centre, is 12 km from the city and just over a year old. The project is not yet finished with the cargo sheds and new passenger terminal (cost £21m) yet to be completed. The runway, which is 3,750 metres long, and the terminal buildings have been designed to handle aircraft carrying up to 10m passengers a year. The airport began operations in 1977 with only two airlines calling; now there are seven, averaging 30 flights a week. A number of cargo lines such as IAS, Tradewinds, Martinair, Carcgolux and Cargoman are regular users of the airport.

But Dubai, too, has an impressive international standard airport which, like its sea port, has been in operation longer than that of Sharjah. Dubai airport handles over 230 regular flights a week from over 26 international or regional airlines. Modern cargo handling techniques are used at the airport and further improvements in storage are being made. There has been a considerable increase in airfreight tonnage into Dubai in the past two years, though the official figures have to be treated with caution as the arrival and departure of TMA, a major regional cargo carrier, distorted the natural growth pattern.

Shelved

At one time a new international airport was planned by Dubai to serve the future Jebel Ali industrial complex, but this appears to have been quietly shelved. This is hardly surprising, for Abu Dhabi's plans for a new international airport are well advanced and it is situated some 25 km out of town near the Dubai road and so could probably serve Jebel Ali as well. It should be ready by early 1980 and Phase 1 should be capable of handling up to 5m passengers a year, and a certain amount of cargo. Though this is not a priority for the planners they are taking into account the fact that air cargo has grown by over 1,000 per cent between 1969 and 1977.

The new Abu Dhabi International Airport (known as Nadia for short) is being constructed according to a design by Aeroport de Paris along similar lines to Paris' Charles de Gaulle airport. The present airport at Abu Dhabi has been in use since 1967, and was planned to handle four airlines with about 4-5 flights a day; in 1978, 34 airlines have regular flights, which are up 340 per cent on 1969. Although the airport was extended during 1977 Abu Dhabi's airport authorities decided in 1975 that a new airport was really needed.

An airports authority will be created to manage Nadia (and the old airport), which will have a runway long enough to take Concorde. Plans for further airports at Al Ain, in the interior of the UAE, and at Fujairah on the Gulf of Oman coast, are being stduied, but consultants *have not yet been selected* for the Al Ain project. A Canadian consultancy, Aviation Planning, has drawn up designs for Fujairah's airport.

In the far north of the UAE, Ras al Khaimah's airport, the largest in the UAE, handles less than a dozen scheduled flights a week. The Emirate is completing a port development early next year. It will have seven berths, one for export of rock and aggregate, four for general cargo and two for container traffic: the consultants are Halcrew Middle East.

There are eight airports either built, under construction, or on the drawing board for the UAE—total population 800,600 plus, total land area 32,000 square miles. At present it seems that the frenetic levels of activity that jammed the ports and airports of the UAE during 1975-76 and early 1977 are not likely to recur. The *new airports and extended ports* are likely to be under-utilised for some years to come.

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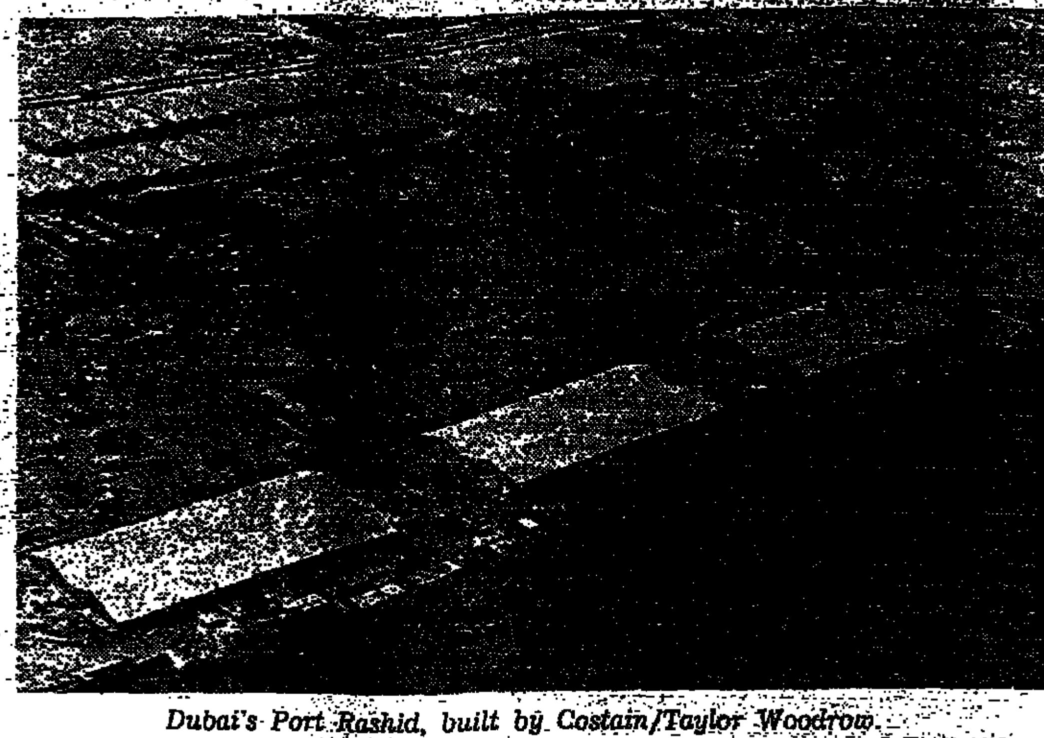


Dubai's Port Rashid, built by Costain/Taylor Woodrow

U.A.E. NET IMPORTS*

	1973	1974	1975	1976	1977
Adjusted net imports†, Dhm	2,130	5,654	8,772	10,654	13,452
Population estimate, '000	320	500	656	750	862
Imports per capita, Dh	6,656	10,090	13,372	14,205	15,605
Annual rate of increase in per capita imports, %	43.5	31.6	33.5	6.2	9.9

* Source: UAE Currency Board.
† *Adjusted net imports excluding recorded and unrecorded re-exports from Abu Dhabi and Dubai.*

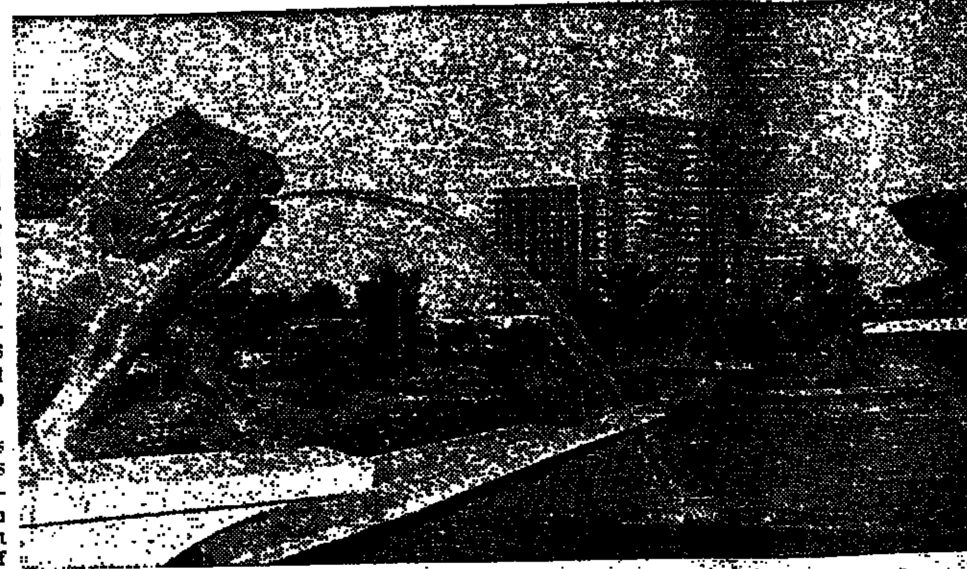
هكذا من الأصل

ABU DHABI

Time to take stock

THIS IS a time for reflection in Abu Dhabi. The surge of construction work is nearly over, and the transformation from a desert sheikhdom based on a few oases and nomadism to an urban society based on oil revenue is almost complete. Behind the apparently mature facade of the town of Abu Dhabi, many of whose wide boulevards are already disturbingly empty of traffic, the inhabitants are asking serious questions: Is this the place that we wanted to create? Where do we go from here?

Oil revenue surplus states have to face questions like this at different times; but it is particularly traumatic for Abu Dhabi because, unlike Kuwait or Saudi Arabia, the process of transformation began only very recently—with Sheikh Zaid's coming to power in 1966—and the greater part of it only took place in the past four years with the oil price boom. Changes have occurred so fast that it has been difficult for people to keep up with them.


Central Park, Abu Dhabi, and new commercial tower blocks.

What strikes the outsider is that, if there is an element of disillusionment clouding the deliberations now going on, fundamental questions are being faced more squarely than in many other parts of the UAE and Abu Dhabi shows signs of moving towards some sound conclusions.

In the initial rush of development Abu Dhabi's path seemed clear: it would build the infrastructure — the roads, power stations, water plants, etc.—for a modern state, assist the other members of the UAE by devoting a large part of its revenues to them, and then move on to create large scale, capital intensive industry which would at some point in the future take over from oil and gas as the main source of revenue.

Now oversupply and credit restrictions have for the moment ended the property boom, and the end of infrastructure spending is in sight. In the less hysterical atmosphere Abu Dhabians, pondering the next stage of development, are now highly conscious of being outnumbered in their own state by immigrants from the subcontinent and the rest of the Arab world. They do, after all, number only about 40,000 (or perhaps less) out of a total population of at least 250,000. Many Abu Dhabians are uneasily aware that while they make the final decisions, the machinery of both the state and federal government and of the state oil company, ADNOC, is in the hands of foreigners, and this has meant that these institutions have inevitably assumed something of a momentum of their own.

This feeling was succinctly put recently by the Federal Minister of Planning, Mr. Saeed Ghobash, who said in an interview: "People want to see their own people around them. They don't want to feel as if they're in a foreign country every time they walk outside their home." He might have added that the murder by a Palestinian last autumn of his relative, Mr. Saif Ghobash, the deputy foreign minister, brought home to the whole UAE its vulnerability to outside influences in the Arab world and the underlying precariousness of control by UAE nationals.

So it is not surprising that strong doubts are now being expressed in government circles about Abu Dhabi's industrialisation plans which, capital intensive as they are, would certainly lead to an increase in the immigrant population and will involve only minimal participation by UAE citizens. Mr. Saeed Ghobash confirmed his doubts about this in the same interview, in which he declared himself in favour of less industrialisation, less materialism, only moderate economic growth and much greater concern for Arab and Islamic traditions and social cohesion. His views, which less than a year ago would have seemed heretical, were not officially repudiated and are shared by many of the most senior people in the Emirate.

But the decision to slow down or abandon development is not likely to be an easy one. Many Abu Dhabians have made fortunes in property and construction, or are dependent on their property being let to recoup their capital. Others have businesses that inevitably depend largely on the non-Abu Dhabian market. They know that the economy on which they depend only survives because the Government pumps money into it, and much as they might dislike being swamped with immigrants they would like even less an economy in which most of the construction workers and those who provide them with services depart, leaving only civil servants, oil men and bankers as the core of the economy.

Fortunately, however, the dilemma does not have to be faced immediately. The Abu Dhabi Government recently announced that it would not embark on any new projects in the Emirate in 1979, and would start only a small number of new schemes in the succeeding two years in order to peg development spending at Dh 6.9bn, the level projected for next year. The statement implied both a cutback and further growth: further growth because this year development spending is expected to come close to the budgeted figure of Dh 5.3bn (compared with last year's actual total of Dh 4.25bn) and will rise next year; and a cutback because it should not rise again thereafter.

The announcement could be welcomed both by those who felt it was the Government's responsibility to bring the economy out of recession by an infusion of funds and by those concerned about growth trends. From the administration's points of view its prime purpose was to let it concentrate on those projects that are under way and whose implementation has slipped behind schedule. As a Government official put it, 1979 should be the year for thinking. But it is a common view in Abu Dhabi that by the time the main projects in the pipeline are finished there will be relatively little that the Emirate will need. By early in the next decade it will have a new airport (designed by the designers of Charles de Gaulle airport in Paris), the new Olympic-sized Zaid sports city, two large new hospitals and two power stations on Umm an-Nar island; and a new airport at Al Ain, the inland oasis town where many rich Abu Dhabians have houses and enjoy the cooler and less humid air. Abu Dhabi has, however, sensibly dropped plans to expand further its port.

When these and other major projects are complete the Emirate will have laid down most of the physical infrastructure it will need for the foreseeable future and it is difficult to think of many other major projects which will be needed. Apart from developments at Abu Dhabi and Al Ain, other inhabited parts of the Emirate, such as the villages of the Liwa oasis, are now getting services, and the whole face of large stretches of Abu Dhabi Emirate is being transformed by the highly ambitious project for planting trees. The theory that Sheikh Zaid is understood to accept is that if this is done on a large enough scale it will change the climate and give Abu Dhabi higher rainfall. Several British companies are involved, including Claphams Landscapes, Blakedown Landscapes and VEB Landscapes. Apart from the inaccessibility of many of the sites and the harsh climate, a major problem is finding suitable water supplies in many of the areas, since much of the water in aquifiers is too salty for growing trees. The projects involve drilling wells, installing pumps and drip line irrigation systems. VEB is planting 80,000 trees of six types on 1,000 acres at Al Ghayathi in the western province of Abu Dhabi. The Emirate is trying to raise production from agriculture, both in the traditional farming areas of the oases and, on Sadiyat island near Abu Duabi town, in vast greenhouses.

The brake on spending will help the Emirate's accounts. The Emirate's income omits Sheikh Zaid's share of the oil revenue—thought to be about 7 per cent — and the income retained by ADNOC after it has paid tax and royalty (at a lower rate than ADMA and ADPC) to the Government. Last year the Emirate had an income of Dh 21.6bn of which Dh 5.4bn was spent by federal ministries, between Dh 6bn and Dh 7bn on combined current and development spending by the Emirate and about Dh 4 bn on aid, leaving a surplus estimated at about Dh 4bn or Dh 5bn to be transferred to the Abu Dhabi Investment Authority.

For the current year income is likely to be about 12 per cent less because of the cut in oil output. The federal budget has been agreed at Dh 10.5bn, of which virtually all is likely to be contributed by Abu Dhabi, and it is probable that it will absorb more than it did last year, while the Emirate's total spending is put at about Dh 8bn. With aid at about Dh 4bn Abu Dhabi is likely to have only a slender surplus this year and possibly a deficit in 1979. This is another factor that must give pause to the Emirate's financial planners.

Big plans for large-scale industrialisation have been drawn up. An entire industrial city has been planned for Ruwais, about 240 km west of Abu Dhabi near the ADPC crude oil terminal. The master plan, drawn up by the U.S. consultants Arthur D. Little, envisaged a population of between 40,000 and 80,000 people with its own port, power station, water plant and housing area. The main industries proposed were a gas liquefaction plant, an export refinery, a urea/ammonia plant, an ethylene cracker and an iron and steel plant. The LPG plant is now in the engineering phase and is expected to go ahead at a cost of $1.7bn, with the U.S. companies Bechtel and Fluor as the main contractors. Snam Progetti is doing the engineering work on the refinery, whose size has been scaled down so that it is likely to serve only the UAE market and have 120,000 b/d capacity. But the urea/ammonia plant has been postponed for the time being, as has the ethylene plant, while the steel plant which would use imported ore and local gas in the direct reduction process has been effectively shelved, subject to a final feasibility study.

Thus the size of the Ruwais complex is likely to be far smaller than once planned and the population is not likely to exceed 40,000 or 50,000. Meanwhile some small industrial plants have been set up in Abu Dhabi itself, and others are being considered, but all face the problems of high costs, a small local market, reliance on immigrant labour and the fact that Dubai, with its speedier system, is likely to get a rival to anything Abu Dhabi may propose underway first. The Emirate is increasingly anxious that what it builds should be profitable. "We are not building industry for prestige," one official said.

The switch of emphasis away from industry naturally puts more importance on the Abu Dhabi Investment Authority, formed in 1976 to handle the Emirate's "pension fund," its overseas investments, envisaged partly as a fund for future generations when oil income falters. Abu Dhabi's investments are thought to amount to between $5bn and $6bn, and are spread among a variety of outlets, including equities (mainly on the New York, Tokyo, Zurich and London stock exchanges), fixed interest securities, including bonds, property and some relatively small investments in the Arab world and in the UAE itself.

While the ADIA naturally grumbles about the fall in the dollar it appears to have been reasonably successful with its investments. Outsiders have calculated that if the surplus were to continue at around its present rate Abu Dhabi might be able to cover its domestic spending out of its investment income in about ten years time.

But perhaps the most significant thing about the ADIA, which may be indicative both of its future importance and of a trend which may spread to other institutions in the Emirate, is the fact that it is now largely under the control of UAE nationals, thanks to an indigenisation policy pursued energetically by the Foreign Minister, Mr. Ahmed Suweidi, which appears to be working well.

Observers are beginning to speculate as to whether the Emirate's authorities will decide to implement a similar policy at ADNOC, firmly controlled by Algerians under Mr. Mahmoud Kronha, highly secretive about its operations and without a UAE citizen in its higher echelons. It has so far published no accounts, yet has an annual income before tax, royalty and operating costs of about $2bn, the balance of which it is expected to hand over to the ADIA. Its authority is likely to increase as things stand because it will be responsible for the Ruwais development, which will come out of ADNOC's revenue rather than that of the Finance Ministry.

The Emirate's policy on oil, outlined in another article, also reflects the Emirate's growing desire to have a clearer perspective about its future on which it can make planning decisions. Broadly speaking it is cutting back on production, mainly as a conservation measure, increasing production capacity (by developing the Upper Zakum offshore field at costs approaching the North Sea level) apparently so as to have flexibility in its production levels in the future, and encouraging exploration both onshore and offshore in order to see what its ultimate reserves are.

What should become clear from any stocktaking of hydrocarbon resources is that Abu Dhabi can well afford at this stage to think critically about its future and have sufficient time to make a success of whatever policy it adopts. And although its educational base is inevitably a generation behind those of Kuwait and Saudi Arabia, it also has the advantage of being able to draw on each of those countries' experience of very different patterns of development.

J.B.

هكذا من الأصل

DUBAI

Economic revival

DUBAI IS easily the most vibrant of the seven Emirates. One can stare for hours at the muddle of activity in the splendid creek as ferry boats, dhows, oil platform supply ships and small freighters churn up the azure water in the fresh sea breeze. There is something awe-inspiring, if a little frightening, about the immensity of the Jebel Ali developments on the road from Abu Dhabi. And in Dubai itself the fierce construction activity, happening noisily in a far more compressed area than in most other Emirates, might lead one to ask: "Haven't they heard about the recession?"

Dubai suffered its recession along with the rest of the UAE last summer. From Augst onwards trading turnover dropped as the effects of the credit curbs brought an end to the UAE boom. The smaller and less experienced merchants found themselves overstocked and many went bankrupt, leaving the larger merchants supreme. The end of exponential growth brought oversupply to the property sector, and many businessmen had either to sell out at far less than they had anticipated or hang on waiting for better times, typing up their capital. As some of the larger projects neared completion construction workers began to depart, and early this year Dubai airport reported, for the first time in years, more people departing than arriving.

Now there are signs of an upturn in business in Dubai. Although trade is 20 per cent below the levels of last year letters of credit are being issued on an increasing scale. Merchants are begining to build up their stocks again after running through the large inventories they acquired last year after the abrupt ending of port congestion. The property market now favours the tenant instead of the landlord and the inferior properties are difficult to let, but there appears to be little difficulty letting properties at the higher end of the market, so some businessmen now have greater liquidity. The continued spending of Abu Dhabi is an important motor of growth, since so many of Abu Dhabi's imports come through Dubai.

But it is not clear how strong the revival in the economy will prove to be. With the completion of two superb new hotels, a Sheraton (with a waterfall in the colossal lobby) and a Hilton, dwarfed by the Dubai Trade Centre, the tallest building in the Middle East, it is now easy to get a hotel room, and indeed the new hotels have so far (by recent Middle East standards) had fairly low occupancy. The Trade Centre, owned by the Ruler, Sheikh Rashid bin Saeed al Maktoum himself, will add mightily to Dubai's office space and accommodation, as will (a little later) the complex now going up on the Corniche in Deira, which is to contain 401 flats, a Regency Hyatt House hotel with 475 rooms, 80,000 square feet of shopping space, 35,000 square feet of office accommodation, and sports facilities; including the region's first permanent ice skating rink. These buildings are monuments to Dubai's future.

Certainly there seems little reason to doubt the continued success of Dubai's trade, upon which its initial prosperity was built. Imports for the UAE itself have come to amount to about 90 per cent of all the cargo handled legally through the ports, but this can be expected to decline gradually in the coming years because of the near-saturation of the market, so Dubai will be forced to rely more heavily on its entrepot trade. This is both diversified and highly efficient, with Iran (taking Dh489m last year) Saudi Arabia (Dh279m) and Qatar (Dh235m) the three largest markets, but with Oman, Kuwait, Bahrain and Pakistan also important. Now that Port Rashid is uncongested (and still expanding) Dubai is becoming the warehouse of the Middle East: recently, when there was a shortage of timber in Saudi Arabia's Eastern Province, supplies already in Dubai were able to fill the gap, far faster than a shipment could have been ordered from the Far East or elsewhere.

The gold trade and other illegal commerce with the states on the north side of the Gulf and India are thought still to account for more than 15 per cent of Dubai's total turnover. With the backing of its smooth-running financial system and the UAE's good communications, Dubai is now moving logically to third country trade, whereby a Dubai merchant arranges and a Dubai bank finances trade between two other countries without the goods ever touching Dubai.

Dimension

Oil income (production began in 1968, and last year averaged about 320m barrels per day) has added a new dimension to Dubai. First, it has enabled Dubai to make a much bigger investment in its trading facilities, both directly by expanding Port Rashid and indirectly by improving the infrastructure and making Dubai a more pleasant and sophisticated place to live and work. But second, and more important, it has started large scale investment in industry, which is more controversial, both in the commercial sense and in its implications for Dubai's future population.

The most obvious symbol of the new Dubai is the dry dock, which should be finished early next year at a total cost of about £250m—compared with the 1976 revised estimate of £162m. So far the Ruler is still negotiating with four different companies to take the management contract. No one in Dubai expects the dry dock to be profitable in the initial stages of operation, partly because of the depressed state of the tanker market and partly because of the relatively high cost of building it.

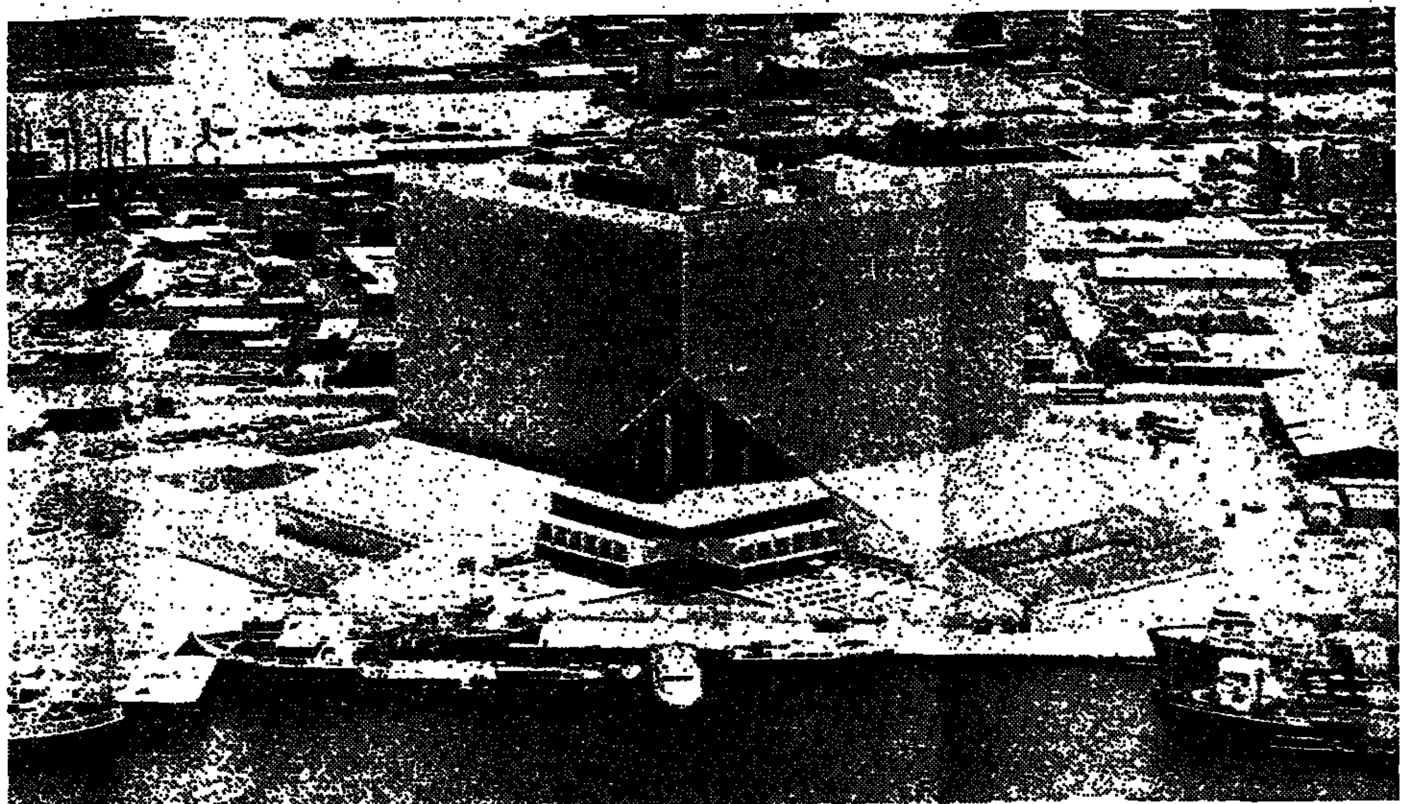
But the most striking expression of Sheikh Rashid's ambition to make Dubai into a major industrial centre is Jebel Ali. Here, about 20 miles down the road to Abu Dhabi, a creek has been dug into the desert, and an immense harbour is being built out into the Gulf with breakwaters which could allow for up to 74 berths. Onshore, part from the infrastructure, the heart of the project is to be a gas liquefaction plant, being built at a cost of about £425m by McDermott Hudson Engineering, which will supply gas for the Dubai aluminium smelter, as well as producing natural gasoline, propane and butane. The smelter, being erected by British Smelter Construction and expected to cost well over $600m, will also be combined with a power station and desalination plant, being constructed at a cost of about £150m by Mitsubishi and Sumitomo.

Apart from the problems of commissioning and running a highly sophisticated piece of technology in the very severe environment of the Gulf, the chief difficulty at present is the shortage of gas in Dubai to fuel it. Dubai now intends to pipe gas from reserves discovered off Umm al Qaiwain to Jebel Ali (a second test of the field is to be made shortly), and it is also hoping to bring gas from an as yet not fully assessed field in Oman. But it is not yet certain how much gas these sources will provide, and there could be problems in blending the different gases to power the plants.

Already the first industries are being attracted to Jebel Ali: an aluminium extrusion plant is just opening next to the smelter: the British company Cleveland Bridge has just started production in making structural steel; BICC is to build a cable plant in partnership with the Ruler: Tube Investments is contemplating a factory for making aluminium and steel goods; and other companies have expressed interest.

While the aluminium smelter is aimed at the world market, the other industrial plants are looking beyond the UAE market to sales elsewhere in the Gulf, notably in Iran, Saudi Arabia and even Iraq, while Cleveland Bridge has just secured an order in Egypt.

But at this stage there appears something disproportionate about the scale of the industry so far attracted to Jebel Ali compared with the number of berths which the port will able to provide. Originally the concept also included a totally new airport, which would only have been about 20 miles from Dubai's existing one: this has now been abandoned. Projects for a refinery and a steel mill also appear to be very much on the back burner at present.



The Sheraton Hotel on Dubai Creek, which opened in April 1978.

Dubai has already spent more than Dh 2bn on the port and infrastructure at Jebel Ali (which is being paid for in cash) and the total cost of the port, assuming the 74 berths are completed, is roughly estimated at Dh 6.5bn and is scheduled for completion in 1980. The Emirate's expenditure has been rising sharply in the past three years, especially on the development side, and it is estimated that leaving aside projects financed by loans last year recurrent spending was about Dh 540m, while development reached Dh 3.12bn. (This compares with figures of Dh 425m for recurrent and Dh 1.48bn for development in 1976.) With revenue last year estimated at Dh 4.8bn (principally from oil, though Dh 287m came from customs) the Emirate still had a respectable financial surplus, even after paying about Dh 500m in loan service charges.

This year could be a little more difficult, though since there is no budget the figures are largely conjecture. Recurrent expenditure is not likely to be less than Dh 700m and development spending Dh 4.1bn; assuming an average level of oil production of 360,000 b.d. the Emirate should have an income of about Dh 5.3bn, but there is unlikely to be much surplus after loan servicing. However, as things stand 1978 is likely to be the peak year for development spending, as a large number of projects, mainly in infrastructure, are due to come on stream either this year or early next year. It would also be quite possible to cut back spending at Jebel Ali (by not converting breakwaters into berths, for example), though this would mean some loss in utilisation of construction equipment, which has already been paid for. With its lean and efficient administrative system Dubai's recurrent spending, though rising, contains little fat.

Externally

Much of Dubai's development has been financed externally with borrowing on the Euro-currency market, and the Emirate's outstanding loans total about £340m and $1.1bn. The first loans are beginning to mature this year and next year is likely to be the peak year for servicing costs, which are expected to total around $400m both then and in 1980, after which they will decline gradually (assuming that no major new loans are taken on). Estimates of oil production capacity indicate a gradual decline from 1980 onwards though the latest indications about the offshore oil fields have been more promising, while a new search is beginning for onshore oil. While the ratio of debt service costs to oil revenue is likely to be about 30 per cent next year and in 1980 there is no reason for real real concern, subject to certain conditions: first, that there is no disaster in the oil fields; second, that Dubai does not take on major new spending commitments at this stage.

What is striking, however, is the degree to which much of Sheikh Rashid's spending has little to do with the Creek and the traditional heart of Dubai's success, commerce. Naturally Dubai benefits indirectly from the construction activity at Jebel Ali, but some merchants have been known to complain that the oil money has not been channelled more directly to them. However, commerce and industry are sufficiently separate for Dubai's trade to be more or less immune from any possible failure at Jebel Ali. Anyway the feeling in Dubai and elsewhere in the Gulf is that if any state can be successful in the almost uncharted waters of Gulf industrialisation it is Dubai, with its financial sophisticaton, efficency and speed of mobilisation.

Apart from the questioning on economic grounds by some of the merchant community of how the Ruler chooses to allocate Dubai's resources, it would be wrong to suppose that Dubai is totally free of the self-doubt and uncertainty that afflicts the rest of the UAE. There are certainly Dubaians who are concerned about the fact that Jebel Ali will boost the number of immigrants in the UAE by at least 100,000. So far the Dubaians have not allowed themselves to be swamped by immigrants despite their great preponderance in the population: while the lower grade immigrant construction workers are kept firmly in their place and repatriated to the subcontinent at the first sign of trouble, the more able and sophisticated — mainly from Iran, Pakistan and other Gulf states—are given a major stake in the Emirate's prosperity through being allowed to operate freely in business there. The system has so far worked well, but it is being questioned whether it is really desirable for the future cohesion of the Emirate to create a large permanent proletariat of immigrants.

J.B.

SHARJAH

A new framework

SHARJAH IS where debate about the use of resources begins and ends. The Emirate is a standing testament to the vulnerability of developing countries to the assaults of irresponsible development.

Sharjah town is physically the most striking capital in the Emirates. Its neatly laid out streets and buildings are probably better designed and finished than anywhere in the Gulf. Its hotels are among the best, its port the most modern and efficient. The Emirate's east coast port at Khor Fakkan is one of the most visually delightful spots in the UAE and potentially a winner. Sharjah's newly finished Souk is one of the most beautiful buildings, ancient or modern, in the Middle East. It has everything except people.

Economically it is a near-catastrophe, not because it is the place in the Gulf hardest hit by the recession (which it is) but because its planners have created a state infrastructure and are now searching for an economy to drop into place. They are beginning to discover that the framework does not fit.

The tragedy is that socially and politically Sharjah is the UAE's most pleasant environment. Its ruler Sheikh Sultan Bin Mohammed Al-Qasimi has acquiesced more constructively than any of his fellow emirs in the principles of federation. To encourage businessmen he maintains the least amount of red tape and runs the most relaxed state in the UAE. His main comfort must be the trust that Abu Dhabi's Sheikh Zaid will back him for his loyalty.

In many respects the original concept of the new Sharjah was a serious attempt to make the best of the Emirate's resources in the fairly unruly development environment of the UAE and the Gulf. It was largely devised by the American adviser to the Ruler, Dr. Bart Paff, whose aim was for Sharjah to concentrate on doing a few things very well. The Emirate's oil revenue was small, so it needed to diversify. It should make use of its two coasts to become a cargo-handling centre for the federation and the region. It wanted to become a business and financial centre. The planners aimed to create a pleasant environment that would attract expatriate company headquarters and a number of light, capital-intensive industries. Sharjah hoped to lure visitors to the central part of the UAE to its hotels and intended to develop a tourist industry for the Gulf region in general.

Implausible

These were not completely unrealistic aims, though the concepts of becoming a financial centre and a tourist resort were always implausible. But the plan depended heavily on a continuation of the Gulf boom at something near the rate prevailing in 1975 and 1976 when the decisions were made, and even had the boom continued, and the Emirate's oil income provided a rather greater underpinning of the economy than has been the case, the implementation was flawed. The plan had to accommodate (reluctantly, one assumes) the fact that the Emirate was already committed to building an international airport only half an hour from Dubai's. In the commendably open business atmosphere which Sharjah was so anxious to create, it was hard to restrain local businessmen and ambitious newcomers from commencing far more projects — such as hotel schemes — than made sense. And the planners may not have fully accounted for the ruthless competitiveness and greater resources of Dubai next door, which in so many ways Sharjah aimed to emulate.

Somehow, when Sharjah began its belated boom two years ago, reality was lost sight of. So much were Sharjans and expatriates alike bound up in the boom that development fed on itself exponentially. (It is a measure of the magnetic charm and infectious optimism of the place that many people have still not recognised the simple fact that Sharjah may well never complete many of the hundreds of blocks of offices and apartments which continue to mushroom along the boulevards.) Had plans gone ahead Sharjah would have had 23 first-class hotels with 4,000 rooms. This has been cut back to 14 hotels and 2,000 rooms as financiers and hoteliers have registered the excess and backed off. The graciously designed Meridien Hotel, put up with private capital from Abu Dhabi, has just opened with an occupancy rate of less than 10 per cent. Overlooking the newly opened Marbella Club, a sister club to the popular establishment in Spain developed by Prince Alfonso of Hohenlohe, the gleaming tower of the Holiday Inn has less than 5 per cent genuine occupancy. On the other side of the Musandam Peninsula, where C. Itoh's giant container cranes have just been delivered for Khor Fakkan container port, progress on a partly completed 250-room hotel seems to have lost its former momentum, while row upon row of elegant holiday villas line the corniche round the bay, empty and sand-blown. Observers estimate that at present rates of project-abandonment the Emirate will stabilise with eight first-class hotels. The Grand Flotel, a converted ferry managed by Holiday Inn and moored in Sharjah Creek, closed last month and is up for sale.

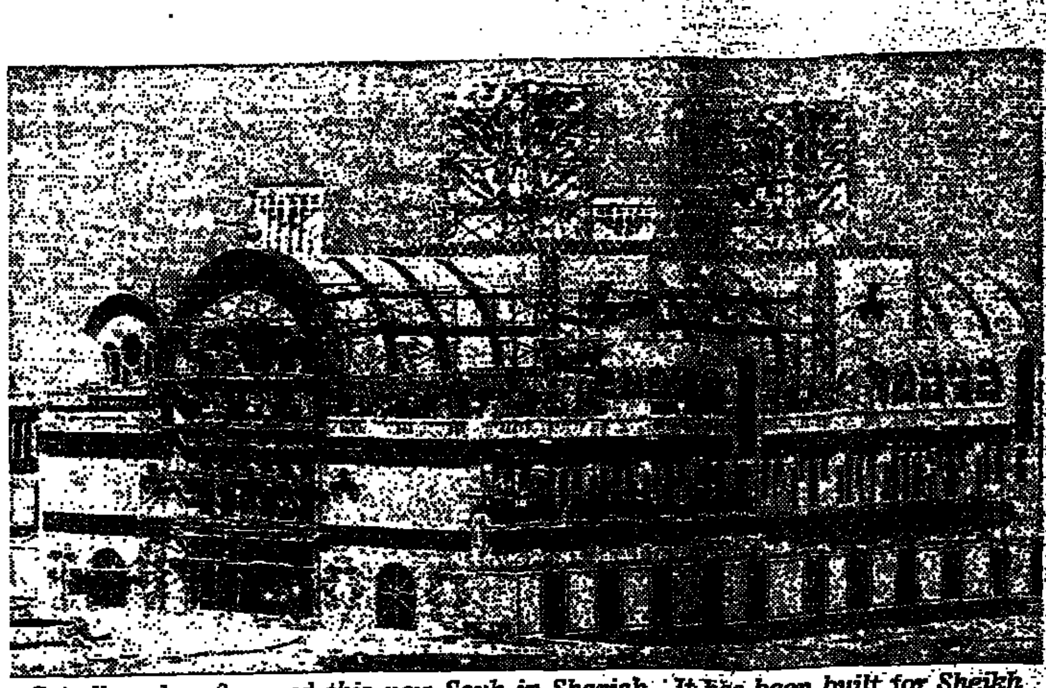
Tourism in Sharjah, despite the attractions of Sharjah town and the eastern coastline, was always ill-conceived.

The only exception may be the comfortable Marbella Club, which offers a particular style of relaxation and could attract members from Dubai and Abu Dhabi. In the UAE it is unrealistic to expect expatriates to drive to a neighbouring Emirate for weekends at $100 a night for a bed. In the Gulf foreigners and Arabs alike tend to leave the region for vacations. There might be some scope for Gulf weekenders, but of all the Emirates only lower priced Fujairah can provide a real change of environment. Europeans and Americans cannot afford to holiday in the most expensive country in the world. To drive the point home, the UAE has never issued tourist visas, does not regard the sector as significant and has recently put a stop to transit visas. Talk of tourism by developers is the clearest example of arbitrarily constructing a framework and then searching for an economy to put inside.

To estimate the final totals of apartments and offices and their future occupancy is not easy because many blocks have been left unfinished, though one estimate is that if all buildings under construction were completed Sharjah would have 100,000 spare office and flat units.

One of the more startling developments more than half way to completion is the Boorj Avenue complex, a twin row of 20 identical 11-storey office blocks designed to be the Wall Street of Sharjah. A local banker commented succinctly: "Completion is not currently the highest on the list of Government priorities." Nonetheless the complex will be finished late in 1979, but there seems scant prospect of Sharjah becoming a financial centre.

The airport vies with Boorj at the head of the category of ill-chosen developments. Fifteen minutes out of town Sharjah International Airport is at present a simple single story building complex more than adequate for the seven airlines which run passenger flights to Sharjah (Egyptair, Air France, Iranair, Syrian Arab Airlines, Gulf Air, Yemen Airways and Al Yemda — Ceylon Air having already suspended its service). On a typical morning one Gulf Air flight to Abu Dhabi and Bahrain had 17 passengers, though there is growing freight traffic. Notwithstanding the tranquility which reigns for most of the 24 hours in the day, the contractor Khansaheb Gammon is pressing ahead with the £21m triple domed new terminal building, and are likely to complete it on schedule in October.



Grindlays has financed this new Souk in Sharjah. It has been built for Sheikh Sultan alongside the Khalid Lagoon.

The Souk is the refinement of all shopping centres. One traveller described Sharjah Souk as "the most beautiful building in the Middle East after the Ummayad Mosque in Damascus." The Cyprus contractor Joannou and Paraskevaides has completed the £13m complex, which was designed by White Young and Partners of the UK, and contains 604 shops. It resembles the 1851 Great Exhibition building, but is splendidly finished with graceful blue roofing crowned with the traditional four-sided wind towers of the region. These will provide through draught of air for the interior walkways. The proven natural air-conditioning can be complemented by air-conditioners in each shop, according to the wishes of the owners. Most of the old Souk was bulldozed to make way for the Boorj Avenue development, and 300 traders have already paid deposits on the shops. Grindlays Bank, which lent money for the project, believes all the stores will be filled, noting that there were 2,000 original applications. However, the opening date has been postponed from February this year to this month and may well be postponed again until after the month of Ramadan at the end of the summer.

Cancelled

The 1976 census results showed Sharjah with 80,000 inhabitants in its 1,000 square miles, including the eastern enclaves at Dibba, Khor Fakkan and Kalba. About half the population lives in Sharjah town and local residents believe that less than 20 per cent are native-born Sharjans, although Government estimates are much higher. Budget spending in 1977 approached Dh 1bn, most of which was capital expenditure. The 1978 budget, thought to be of a similar size, is said to be financed 20 per cent from local resources and 80 per cent from federal funds.

The Emirate's own recurrent expenditure is dropping as Sheikh Sultan continues to hand over responsibility for local services to the federal Government. Sharjah, which in 1975 hauled down its flag and adopted the federal ensign, has handed over its police, national guard, customs, education, health and telecommunications to the UAE administration, saving, in the process, more than $50m.

The main local revenue comes from the Mubarak offshore oilfield, which is shared with Iran. Sharjah earns less than $50m from the field, of which it gives 30 per cent to Umm al Quiwain and 5 per cent to Ajman under a compromise worked out in 1971 to solve disputed claims to the field.

Consortium

Oil was first produced in July, 1974 by Crescent Petroleum Company, a consortium of U.S. companies including Buttes Gas and Oil, which operates the concession (25.7 per cent), Ashland Exploration (25 per cent.), Skelly Oil (a subsidiary of Getty Oil) (25 per cent.), Kerr McKee Corp. (12.5 per cent.), City Services (10 per cent), and Juniper Petroleum (a Buttes subsidiary) (1.8 per cent). Sharjah crude reserves in 1977 were estimated at 1.5m barrels and gas reserves at 1,500 bn. cubic feet (a non-commercial quantity). Crude oil, which first flowed at 46,000 b/d and dropped steadily to 30,000 b/d by 1977, is of excellent quality (36 api), with a sulphur content of only 0.8 per cent. This partly offsets the high production cost, which is nearly $3 a barrel (due to the 14,000 ft reservoir depth). Most of the oil is sold to members of the consortium and exported to the U.S. The rest is exported to Japan under an agreement signed in 1974 with Japan Line.

In April this year Sheikh Sultan decided to raise income tax on crude from 55 to 77 per cent and the royalty from 12.5 to 14.5 per cent. According to the president of Buttes Gas and Oil, these rises involve payment of arrears by his company of $8.75m and by the whole group of $34. The Emir's decision has been contested by Crescent Petroleum, which has said it will resort to arbitration unless a compromise is found.

Sheikh Sultan's decision to raise the oil taxes reflects Sharjah's acute shortage of liquidity. Term debt is so high on some industrial projects—the cement factory and paper factory—that they are sustaining seious losses on capital invested. The Government has been three-four months behind on paying suppliers and up to six months behind with major contractors. The Emirate had borrowed by the end of last year $120m in the international financial markets (unsupported by outside guarantees) when Abu Dhabi came to the rescue earlier this year with a guarantee for a $200m loan from a consortium of banks led by BAII. Despite the difficulties, it is pointed out in Sharjah's banking community that the Emirate has always met its international financial obligations on time.

But the building activity is not going to lead to as many bankruptcies as might be imagined. Much of the building, it is said, was paid for by locals using excess liquid cash. Despite a general denial in the financial community many local banks must be exposed on loans to property development companies, but the community seems to operate a truce, aware that no-one will benefit from bringing the entire house down.

Some small traders and construction sub-contractors have gone to the wall financially, particularly in cases where larger contractors have themselves gone unpaid.

But despite the tragic waste of resources in Sharjah part of its original concept has been fulfilled. Sharjah has succeeded in attracting company headquarters. Among companies with offices are Tarmac, 3M, Honeywell, Bechtel, Westinghouse, Armco Steel, BICC, Wellcome Foundation, Bristow Helicopters and British Reinforced Concrete. Its industrial ambitions have been partially realised: there is some light industry in the town and more is on the way.

The Sharjah Group, for example, is developing a small industrial estate for which three factories are already agreed and a further three being sought, with the Samer Group as consultants. The freight handling complex may have too much capacity for the amount of trade it is dealing with at present, but Mina Khalid in Sharjah town stole a march on Dubai with the introduction of the UAE's first container berth and now has the first ro-ro berth in the UAE. The Khor Fakkan container port, due for completion in the autumn, should be successful and the airport is efficient and has spare capacity.

Sharjah still has immense attractions as a place to live. It is not just pleasant but inexpensive, both for accommodation and domestic help—considerably below Dubai, for which it makes an excellent dormitory town, only 20 minutes away by car. The Emirate is tackling the problem of power cuts. As part of its infrastructural programme (Sharjah was successful in establishing water supply, drains and electricity lines in the best planned sections of the city before the streets were laid and buildings constructed), the Emirate has installed new power units with two 21MW gas turbines and three 33MW diesel units in commission. Capacity is now more than adequate but severe problems with distribution remain.

Some of those who planned the new Sharjah (including Dr. Bart Paff) have now departed and the Emirate is concentrating on completing what is necessary to make what is still viable in the original concept work. There is no panic and not likely to be. Sharjah has a future; but it is on a smaller scale than the original dream.

M.T.

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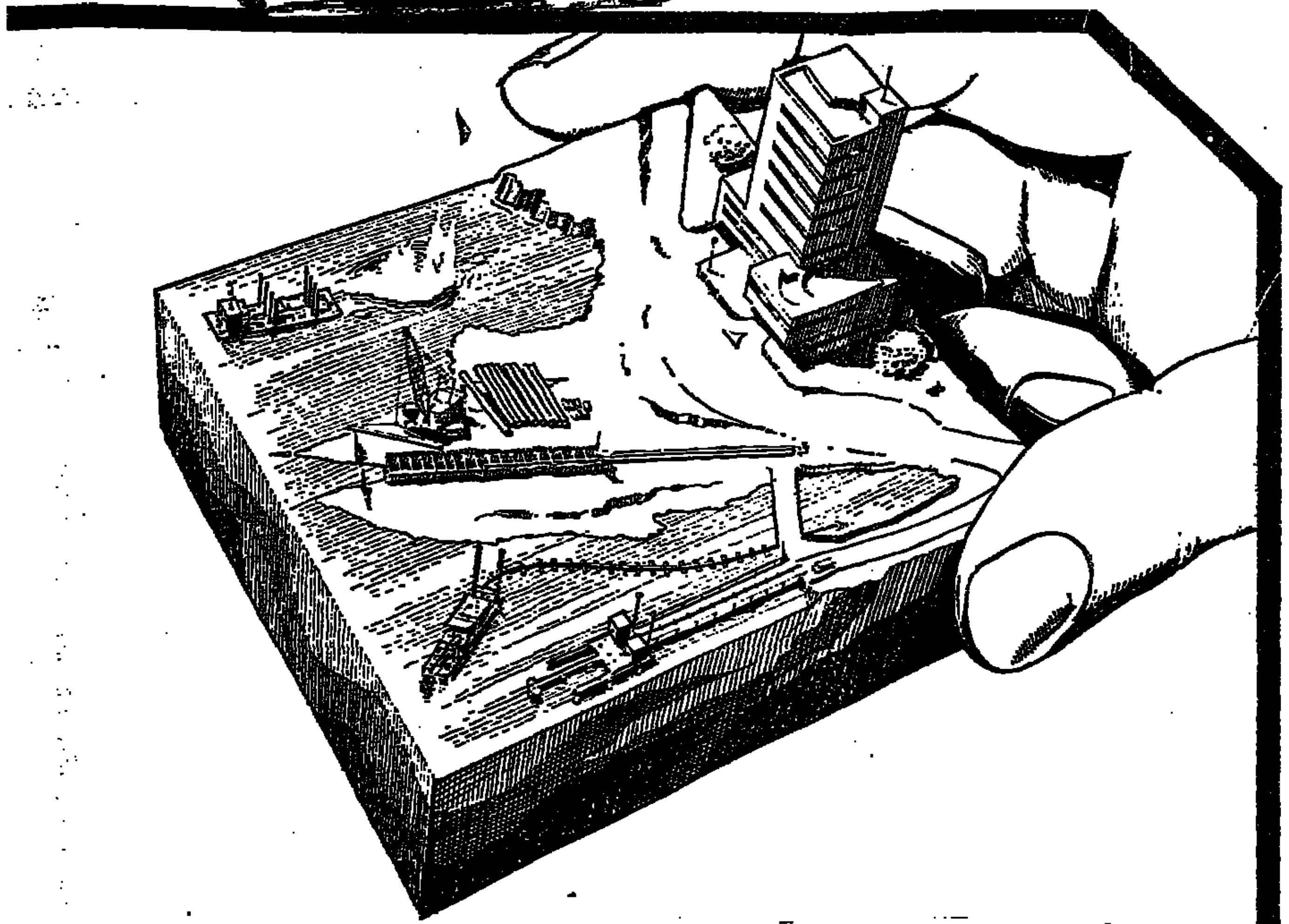
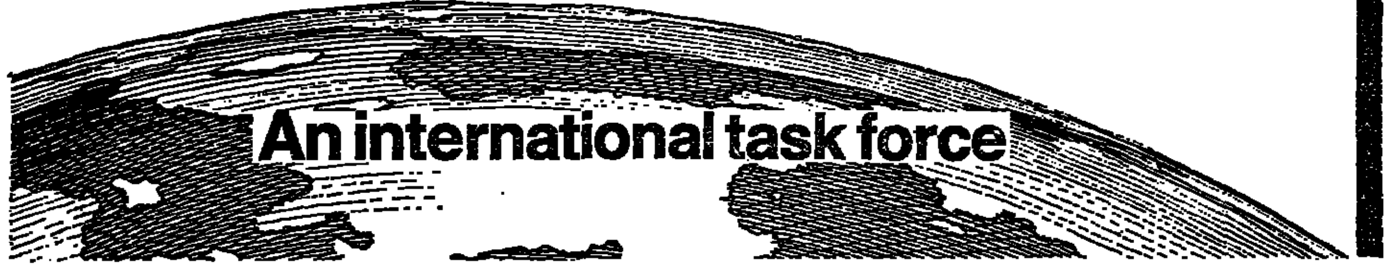
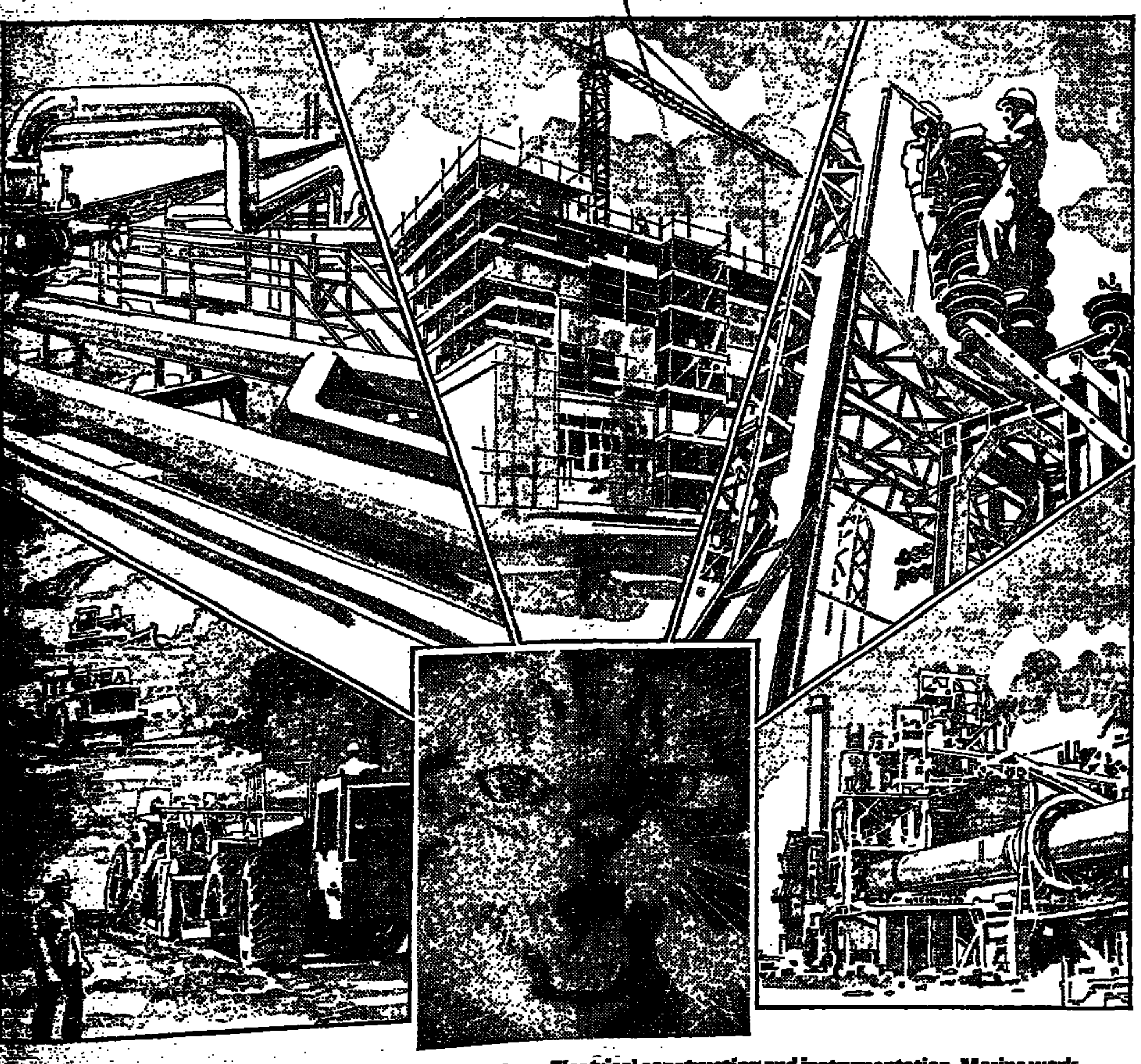
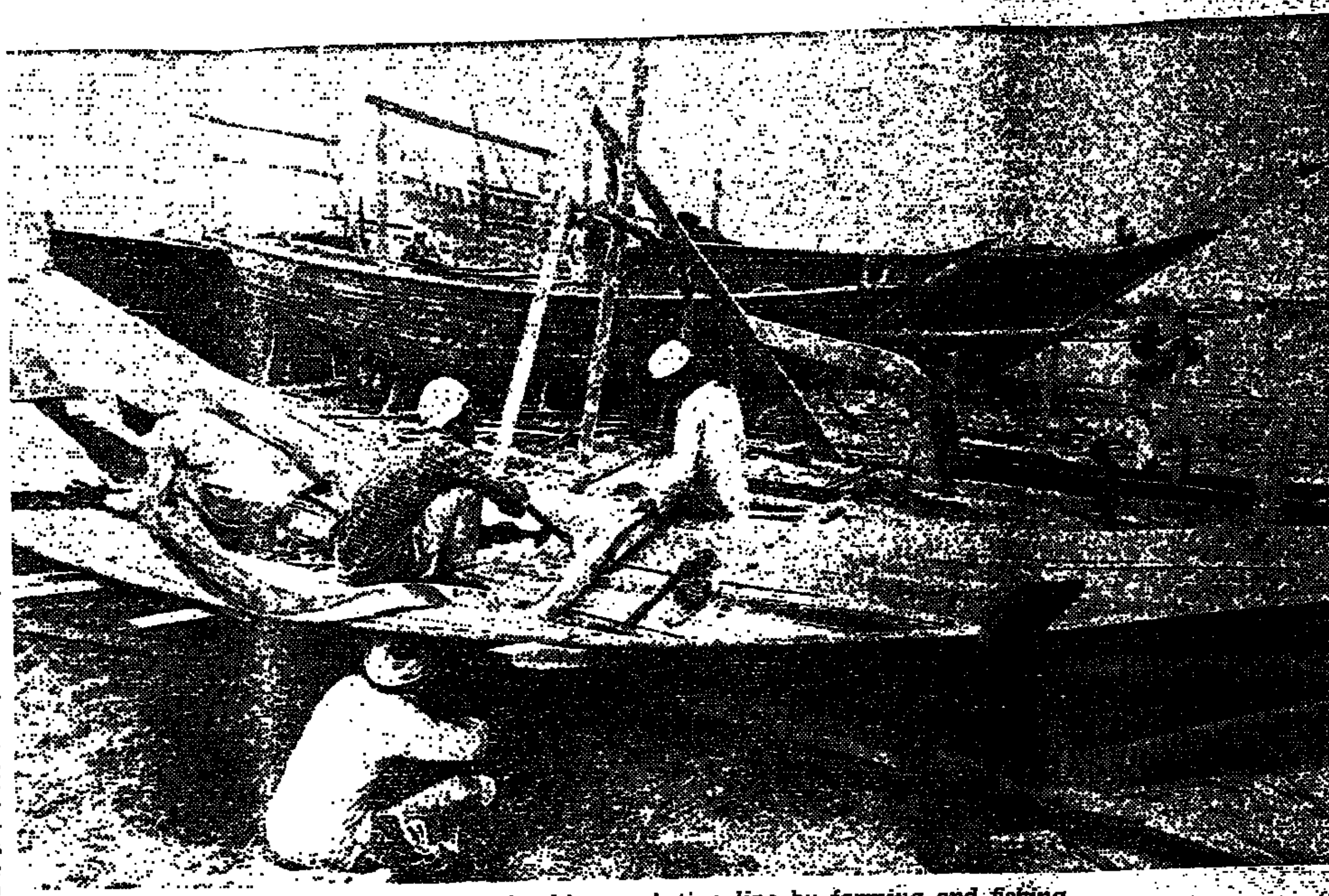






RAS AL KHAIMAH

Fond of an independent line



Most of Ras al Khaimah's population live by farming and fishing.

RAS AL KHAIMAH has a history of dogged independence dating back to the days when it was capital of the Pirate Coast. The Qasimi tribe controlled navigation in the Gulf, a state of affairs which ended only in 1819 when, after years of skirmishing and sea battles with allcomers to enforce tolls (the British called it piracy), a British expeditionary force captured Ras al Khaimah and razed it to the ground. Ironically it was a Ras Al Khaimah seafarer, Ahmed Ibn Majid, who gave Europeans a political interest in the area when he showed the Portuguese explorer Vasco da Gama the sea route to India.

The Qasimis stay true to their history. Sheikh Saqr Bin Muhamed al Qasimi, the ruler, held hopes of going it alone when the British pulled out of the Gulf. What tempted him was an indication that Ras al Khaimah might have oil in commercial quantities. The search for oil offshore caused him a major problem last year when Oman unexpectedly claimed sovereignty over Ras al Khaimah's northern coast. His difficulties were aggravated by his relative isolation within the UAE and steady bickering with the federal Government. In 1972, two months after the federation was formed, he accepted the political necessity of joining the UAE and last year, after Oman's announcement, he was obliged to turn to federal Government to fight the claim.

Sheikh Saqr has reason to be sensitive about territorial disputes, having lost the islands of Greater and Lesser Tumbs which were occupied by Iran when Britain withdrew in 1971. He stood very much alone and saw his own Qasimi tribesmen ejected with considerable force from their home. The fresh territorial threat was triggered last year by drilling activity on the northernmost fringe of Ras al Khaimah's territory. Oman announced its claim to all territory north of Rams. The matter is being handled through diplomatic channels in Abu Dhabi and has cooled now that it is clear that oil is not to be found in commercial quantities in the disputed area.

Until oil was discovered in the region, borders had little meaning in the Musandam Peninsula. They were drawn in 1952 by two British officials who simply travelled the area asking tribesmen to whom they owed allegiance. In 1971 when the "Communist threat" was uppermost in people's thoughts in the Gulf, the British were worried by troublesome tribes in the north of the peninsula. Bulkha was given to Oman but its inhabitants left the village and settled in Ras al Khaimah. Since then Sheikh Saqr has picked away with minor claims on the Oman border. More significantly he offered and actually issued Ras al Khaimah passports to hundreds of tribesmen who left the mountains of Oman's Musandam Province to work in Ras al Khaimah.

Ras al Khaimah has always has great hopes of finding oil. In 1970 Union Oil of California, which had held Ras al Khaimah's offshore concession since 1967, was sufficiently optimistic about a deep show of oil to bring in what was then one of the biggest drilling platforms in the world. It turned out that the oil was not in commercial quantities. Another operator, Vitol, from the Netherlands, took over the operation but it too considered production would be uneconomic. It found 4,000 barrels a day below 14,000 ft. Deutsche Schacht took over as chief operator of a new concession and last year found 6,500 b/d. Again it was not a commercial proposition. The company is now intending to pull out.

Because of persistent hopes of becoming an oil producer, and because Sheikh Saqr has successfully attracted assistance and investment from other states, notably Saudi Arabia and Kuwait, the Emirate has pushed ahead with development on a grander scale than its resources would appear to justify, even though these are quite substantial: with relatively high rainfall the Emirate has agricultural wealth: it has valuable rock, aggregate and other mineral resources: it has a relatively large indigenous population and, by Gulf standards, an impressive level of education. The Emirate has produced several of the federation's most able men.

Farming

The Emirate has a population of about 60,000, of whom half are citizens of Ras al Khaimah (many of whom live by farming and fishing). The Emirate is the biggest agricultural producer in the country and is a significant exporter of vegetables to the other Emirates. Unfortunately marketing is not sophisticated, and Ras al Khaimah buys many of its own vegetables re-exported from Dubai where the merchants buy up all Ras al Khaimah's farm produce in advance. One exception is the herd of 300 Freisian cows at Digdaga which have now become profitable. This followed successful efforts to become self sufficient in feed by growing Alfalfa. Also at Digdaga is a federal farm project for modern vegetable production which was started in 1954. It is run in co-operation with the FAO.

Industrial activity includes McDermott's Steel rolling plant, a factory producing 220,000 tons a year of sulphur-resistant cement, a building block factory and a limestone quarry which exports high quality stone from Khor Khwair to Dammam and Jubail in Saudi Arabia. The cement plant is owned by Union Cement Company and operated by Norcem of Norway. The Ras al Khaimah Steel Corporation which used scrap imported from Iran, went bust in 1977. A government-built fish meal plant completed only last year closed in February, 1978 when it was realised that the right sort of fish were not available in sufficient quantities. The six vessels of the company are up for sale. Meanwhile the Korean company Dong Ah is finishing a new fishing harbour north of Sham. About one-fifth of the local labour force is employed in fishing.

The Government is financing and building a hospital, office blocks, two power stations and two hotels. A new seven berth deepwater port has almost been completed at Khor Khwair (the vital functions were finished in December, 1977) at a cost of $100m. Hamranieh Airport, about 30 minutes drive from the capital and located on the plateau, opened two years ago. The airport is not expensive to run but neither does it have much traffic (about 10 scheduled passenger flights a week). Last year Siemens of West Germany completed a £6.5m earth satellite station which opened earlier this year, operated by Cable and Wireless.

It is linked to the Indian Ocean Intelsat IV, through which the Ras al Khaimah communication authority (RAKTA) has almost 1,000 channels available for simultaneous use. But RAKTA functions totally separately from the UAE federal telecommunications company, Emirtel, so much so that it is easier to call London and New York from Ras al Khaimah than it is Sharjah and Dubai, which have to be connected through manual operator exchanges. Last year RAKTA had 700 telephone subscribers.

In the past Sheikh Saqr was able to turn away from what he regarded as federal encroachments on his independence by approaching King Faisal of Saudi Arabia, who usually gave him a sympathetic hearing out of motives that included distrust of Abu Dhabi and awareness of Ras al Khaimah's potentially strategic position at the entrance to the Gulf. It was the Saudis who financed Ras al Khaimah's first road and the King was usually willing to provide money in an emergency. The Saudi connection, which continues, led to the closure two years ago of the casino in the Ras al Khaimah Hotel, which used to generate substantial income from gambling. Sheikh Saqr was obliged to submit to a proper interpretation of the Koranic injunction against gambling in return for assistance.

While Sheikh Saqr has looked to Riyadh for aid he has also sought investment from other Arab countries to compensate for the reluctance of the federal Government to support his projects. Kuwait will become the largest single foreign investor in Ras al Khaimah if planned projects materialise.

In May, 1978, Sheikh Saqr signed agreements for a cement plant, an alkali and lime factory, and an oil refinery. A variety of Kuwaiti interests have agreed to finance the cement plant, which will produce 500,000 tons a year when its three stages are completed. All the output is to be exported to Kuwait. It will be built near the port in Khor Khwair alongside the alkali plant. The Ras al Khaimah Noora Company is expected to produce 150,000 tons of alkali a year.

The surprising development was the agreement to build an oil refinery, signed with Kuwaiti interests and Kellogg, which is doing a feasibility study. The refinery, which will presumably import crude from Kuwait, is to produce 100,000 b/d for local consumption and export.

The price for Ras al Khaimah's style of development has been the accumulation of outstanding loans. Financial difficulties began last year after the UAE banking crisis. Ras al Khaimah had negotiated successfully with the UAE Currency Board for a loan of Dh1bn, repayable over eight years. When the head of the Currency Board left office and the credit squeeze imposed the loan was withdrawn, much to Sheikh Saqr's bitter disappointment and financial discomfort.

Financial stringency has led to modification of the design of Khor Khwair Port, according to reliable sources. It will now make do with graded surfaces instead of tarmac on some approach roads. Electricity supplies are understood to have been guaranteed despite the cost-cutting measures, but some contractors in Ras Al Khaimah have experienced delays in payments, according to the same sources.

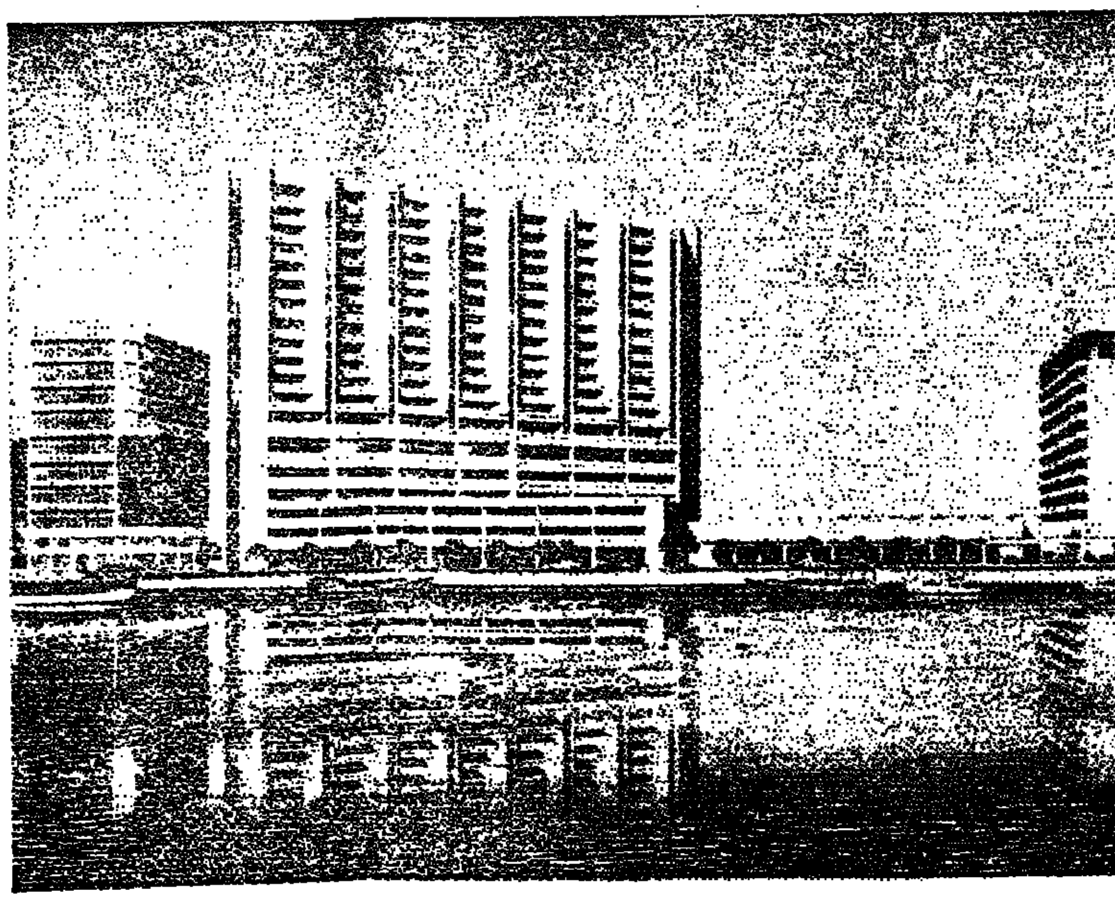
In August, 1977, Sheikh Saqr went to the market for a $20m Euroloan managed by Lazards, officially for oil exploration and the development of lime quarrying.

The overlap between government funds and those of the ruling family is so great that distinctions between them are meaningless. Two hotels are being built, one by the Government and the other by the Crown Prince, Sheikh Khaled. The Ibn Majid Hotel has 140 rooms and is nearly completed. It is owned by Sheikh Khaled in partnership with Jasim Darwish, a local businessman and head of the municipality. The London company Landmark Hotels has the management contract and hopes to open in September. But the liquidity shortage in the Emirate is such that the owners are trying to borrow $6m on the $10m hotel (so far without success). Landmark believes it can make a profit on a 50 per cent occupancy, which is about the current rate of the Ras Al Khaimah hotel, the only one open in the Emirate.

Bechtel of US is building the 300-room Inter-continental hotel for Ras al Khaimah Government and the same cash problem applies. The hotel is still a year from completion.

Asked about the Emirate's financial problems Sheikh Saqr said he had no alternative but to continue borrowing on the financial markets. He was adamant that commercial investment funds must be found abroad rather than paying the political price of curtailed independence which Abu Dhabi would extract in return for federal funds. The Ruler said, "There are no alternative sources of liquidity. The only way is to borrow from the commercial market and exert more effort. We will follow the policy of developing outside contracts. In this way we can secure projects for development."

M.T.



THE NORTHERN EMIRATES

A trio of rugged outposts

THE EMIRATES of Fujairah, Umm al Quiwain and Ajman are smaller, poorer and less populous than their fellow Emirates, and give closer attention to tribal ties. Fujairah has an economy based on agriculture and fishing in which many villages have only been connected by tarmac road to Fujairah town in the last two years and the Emirate itself only joined to the rest of the UAE by road in 1975. Indeed, not until 1952 was the Emirate recognised as a separate entity by the British after consultations with other tribal rulers. Umm al Quiwain has fewer resources onshore but it has recently discovered gas and receives nearly a third of Sharjah's oil revenue. Ajman's land area is so limited that it is regarded as too small an area on which even to prospect for hydrocarbons.

Here the federal Government's activities have been most obvious in providing roads, telecommuncations, education, electricity and other services, though there are few large-scale federal projects and the implementation rate is often slow. Each Emirate is anyway anxious to make the most of its own resources.

Fujairah

Fujairah is the Emirate most divorced from the popular image of the oil-producing city-state. Sheikh Hamad Bin Muhamed al Sharqi, youngest of the UAE rulers and a graduate of Hendon Police College in London, heads the 27,000-strong Al Sharqi tribe. The people are not confined within normally defined borders but are spread over 450 square miles of hills, valleys and coastal plain in settlements located in defiance of attempts by modern mapmakers to regularise boundaries. For Sheikh Hamad's administrators to visit all his subjects they must not only cross territory belonging to Sharjah and Ras al Khaimah but in one case follow the coast road through Oman before doubling back inland.

As a non oil producer (Reserve Oil and Gas is exploring, so far without success), Fujairah is dependent on federal funds for development, which is beginning from scratch with infrastructural projects. When the road network, the port and power grid are completed there is hope for modest and balanced economic development because Fujairah has certain advantages. These are: a sedentary population (mainly farmers and fishermen); reasonable soil, heavier rainfall than elsewhere in the UAE and agricultural potential; and mineral potential yet to be properly assessed. Small-scale manufacturing and production based on local resources is beginning. Fujairah also hopes to use its more varied environment to encourage specialised tourism like the week-end inter-Emirate tourism which is already filling the newly opened Hilton Hotel two days a week.

The greatest change to life and economy in Fujairah came with the completion of the road which brought Dibba and the northern communities within easy reach of the capital, a journey which until two years ago was measured in hours. Fujairah is now only two hours by road from Dubai and the Emirate's internal network will be completed this year when a final stretch through the mountains is tarred. It is the road system which has facilitated more efficient marketing and export of farm produce and fish. It has also made possible the building near Dibba of a marble and tile factory, and a mineral water bottling plant due to open later this year, with an eventual capacity of 66,000 bottles a day.

The next great change will come with the construction of Fujairah port, an £80m federally funded project. Work is due to begin shortly when the best of 40 tenders is selected. The contract is for two breakwaters, construction of 11 berths and dredging to 11 metres. As an insurance against future difficulties on the other side of the Hormuz Straits, provision is included for two oil tanker berths.

Plans to build an airport seem to have been shelved, apparently because federal planning is developing more potency in dealings with the poorer Emirates like Fujairah. Suspension of the project seems likely to preserve the down to earth charm of Fujairah, which so far has avoided the trap of white elephant construction.

Plans for power were made before the shelving of the airport and the scaling down of other projects (the Ruler of Abu Dhabi cancelled an offer of a 320-bed hospital, suggesting instead a smaller version more realistically tailored to local needs).

Two diesel stations in Fujairah town and Qidfa currently produce 18 MW of electricity. By the end of this year four 8 MW gas turbines will be installed, more than enough to handle the port, the new hospital and new sewage plant when they are built. The serious problem is distributing power to Fujairah's 43 communities. Fifteen villages are connected to the grid and 13 more will be added this year, but the mountainous terrain and isolation of the villages makes a full grid very uneconomic.

In an effort to keep people at work in traditional jobs the Government subsidises farming and fishing, with grants for fertilisers, seeds, pumps, engines and technical help. The sectors are important in the tiny economy. Fujairah's 1,700 farms produced 4,300 tons of vegetables for sale in 1976-77 as well as large quantities of fruit (citrus, dates, mangoes and guava). Meat and milk production is limited to local consumption and is still inadequate. A feasibility study is being done to investigate poultry and egg production for the local market.

About one third of farm produce is exported to Dubai and the other Emirates. The true agricultural potential will not be known until a water survey is done. However, a major step was taken last year when Joannou and Paraskevaides started a modern farm in conjunction with Fujairah Government. The Fujairah Farm Company now produces tomatoes, potatoes and a wide variety of vegetables for the local and export market.

A parallel attempt to modernise the fishing industry is also taking place. The Fujairah catch is large enough to satisfy the local market, leave substantial quantities for export to the western Emirates and supply local needs for fertiliser. Along the coast fishermen lay out tens of thousands of tiny fish for three days in the sun, which causes sufficient decomposition for them to be applied directly to the land.

Fujairah will never be a manufacturing centre but it is encouraging small-scale development of local resources. The bottling factory for mineral water is one example, and the Fujairah marble and tile factory in Dibba, owned by the ruler and just starting production is another. Fujairah possesses marble, limestone, gypsum, onyx, chromide, copper, sulphur and asbestos, but the full commercial potential of these will not be known until Hunting Surveys finishes a basic study of Fujairah as part of an overall survey of UAE mineral resources.

Fujairah has escaped the wild construction boom — most buildings are single-storey and the new Hilton is only three floors high. The new hotel stands virtually empty most of the week, as does a Lebanese-managed motel up the coast. But they fill up at weekends as people living in Dubai and Sharjah drive east to get away from the desert-skyscraper landscape of the west. Plans for a tourist hotel and villa complex known as the Garden City project, which is still thought of locally as a viable possibility, seem unrealistic unless it is tailored to the weekend trade. Only a few miles away in Khor Fakkan, part of Sharjah, which has a beautiful bay, holiday-type villas on the sea stand ominously empty.

Umm al Quiwain

Umm al Quiwain is tiny—a mere 300 square miles. Isolated at the end of a spit, its creek partially silted up, the town escaped the worst excesses of property development and speculation which struck elsewhere along the west coast. The Emirate is run by Sheikh Rashid, son of the Ruler Sheikh Ahmed bin Rashid al Mu'alla (who has been the Emir since 1929 but is effectively in retirement). The Emirate receives a 30 per cent share of Sharjah's petroleum income from Abu Musa. So far exploration for oil has been unsuccessful but Umm al Quiwain recently discovered gas. Its 60m cubic feet per day output would not normally be enough for commercial exploitation, but it is negotiating with Dubai which wants to purchase the gas and pipe it to the Jebel Ali industrial complex as part of the feedstock for the aluminium works.

The major project in Umm al Quiwain is the construction of the sea-wall and development and dredging of the harbour. The current £7.5m stage of creek development is being carried out by Lilley International, which is completing the wharfage and dredging the harbour to five metres, which will permit berthing of the largest dhows and small cargo vessels. The other important infrastructural project is a £15m turnkey power station with three gas turbines producing 30 MW of electricity and 3m gallons a day of water from desalination. A hospital and government building are planned. Sheikh Rashid has ordered a six-storey complex of shops, offices and flats and the Ruler (his father) is pursuing plans to build a £6m asbestos cement factory.

Ajman

Ajman, just 10 minutes drive from Sharjah, has the distinction of its Emir being the world's longest established ruler. Sheikh Rashid bin Humayd al Nu'aymi took power in 1928, and although his son, Sheikh Humayd, conducts most affairs of State, this white-bearded swashbuckling figure, who never moves about unarmed and regales visitors with splendid gory tales of the not so distant past, remains titular head of the Emirate.

His son Sheikh Humayd, however, has come fully to terms with the modern era and with Ajman's position as the smallest, poorest, oil deficient Emirate. Ajman has about 10,000 inhabitants, including the people of Manama (on the central Sharjah-Fujairah border) and Masfut (30 miles south west of Fujairah town) and just 100 sq miles of territory. Sheikh Humayd is totally committed to federalism and does not regard Ajman as an independent entity.

Ajman's unpublished budget is probably about Dh 250m. It receives 5 per cent of Sharjah's Abu Musa oil receipts, while the rest of its revenue comes from federal funds and allocations given personally by Sheikh Zaod of Abu Dhabi. It is almost entirely a service economy, though there is some dhow building associated with the small fishing community, and the 300 people of Masfut have sufficient water from wells for virtually subsistent agriculture. There is also a mineral water bottling plant called Gulfa Water at Masfut, which started in 1976, and a quarry for marble.

One thousand Ajmanis are employed in some capacity by the Government, including those working for Ajman Heavy Industries, which owns the dry dock with Mitsui Ocean Engineering Development company. The Japanese company owns 20 per cent of the project, which started work in 1976 and is considered the blue chip of Ajman development. The creek is now in the fourth stage of a Dh 32m dredging and development programme being done by Lilley International. By the end of 1978 the creek will take vessels of 2,000 tons (with 5,000 tonners at high tide). Industrial hopes include proposals for paper and cement factories, projects in which the Ajman Government intends to take a minority shareholding. A realistic note was struck with the recent abandonment of plans for a 400,000 tons p.a. fishmeal plant. Office and apartment blocks are under construction, though not so many as to cause major financial difficulties if they are not filled.

The Government is now preparing itself to relaunch (under another name) its bank, the Ajman Arab Bank, which went under last year with Dh 70m outstanding. To exorcise this ghost the proposed new bank is intended to have a fresh title, and new participants, including the governments of Libya, Algeria and Kuwait, as well as the National Bank of Kuwait and UAE National Bank.

Ajman has borrowed twice on the European commercial market taking a total of $7m in loans arranged by Morgan Grenfell for port development and $5m in a single loan agreed last month from Grindlay's Bank.

The most modern enterprise in Ajman is the Laboratory complex of United Colour Film, which has the best operation of its kind in the region. It processes still and cine film from all over the Emirates and has the most modern film and sound studios available in the UAE.

M.T.

BANKING

Keeping a low profile

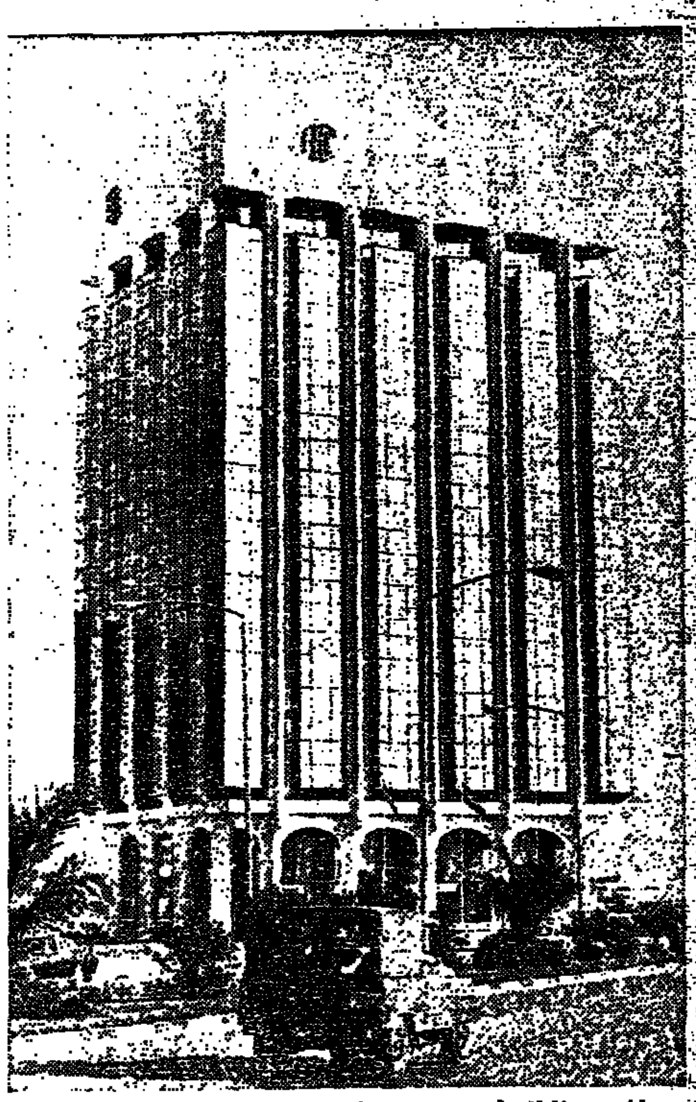
THE FIRST half of 1978 has seen few excitements on the UAE banking scene and for this most of the banks, and the UAE Currency Board, are profoundly thankful. Last year, with the May Currency Board crisis as the climax, was as action-packed as any central monetary authority or banking community could want. There is only one unpleasant spectre and that is the extent to which some local contractors are indebted to local banks owing to the failure of their clients to pay up.

At present the banks are pursuing a policy of masterly inactivity—not bankrupting contractors who owe them money in order not to set off a chain reaction of bankruptcies—which they hope will see them through.

Bankers in the UAE think it highly unlikely that the Federation will be able to boast a central bank by the end of this year. The final draft of the proposed Central Bank law is yet to be considered and approved by all the Rulers. It contains a number of provisions that some of them will find hard to swallow. *It is accepted among* UAE bankers that a Central Bank is needed as much for public standing outside the UAE as for internal morale.

The main fear among the Emirates is that a strong Central Bank, acting as economic advisor to a federal Government, would reduce their economic autonomy. It is awareness of this feeling in the Emirates (particularly Dubai) that makes bankers so pessimistic about the prospects for a strong Central Bank, or indeed, any Central Bank at all.

The focal point of fears by individual emirates of a Central Bank is article 41 of the draft law, which concerns the relationship of the proposed Central Bank to the Emirate local governments. One provision of this article deals with the securing of foreign exchange from the Emirates to support the dirham. Virtually the only true source of foreign exchange for the individual Emirates is their oil revenue, and only three *Emirates are oil exporters,* Abu Dhabi to the tune of $7.6bn last year, Dubai with $1.4bn and Sharjah with about $30m. The possibility of having to give up a stipulated proportion of their oil revenues is not popular with them.



The Bank of Credit and Commerce building, Abu Dhabi, was designed by Fitzroy Robinson and Partners and built by Bernard Sunley, at a cost of £4.5m. It was opened in February, 1978.

The run on the dirham in early 1977 was exacerbated by Abu Dhabi and Dubai's unwillingness to place foreign currency with the Currency Board.

Another aspect of the Currency Board's role that has to be reassessed before its transformation into a Central Bank, is its "development" activities which, before they ended last year, occasionally made it unpopular with Abu Dhabi's. In the past the Currency Board had provided substantial funds (from those wealthier Emirates) to certain of the poorer Emirates, and placed funds with some banks, in order to provide *finance for housing and other* infrastructure development. The loans, particularly to the Emirate governments were long term. But the Currency Board's own funds (principally from the Abu Dhabi Government and its investment authority) were short-term funds—in months.

While awaiting its transformation the UAE (Currency Board has considerably curtailed some of its activities though quietly expanding its staff and recruiting people with a wider range of skills. During 1977 the balance sheet totals of the Currency Board were virtually halved, from $2.8bn at the end of 1976 to $1.5bn at the end of last year. The Currency Board has got rid of $18m worth of investments (unspecified) which have been sold to the Abu Dhabi *Investment Authority*.

Liabilities

The main change on the liabilities side has been the *reduction in demand* deposits—again mostly Abu Dhabi Government money—and time deposits. Total deposits at the end of 1976 had been just under $2bn and at the end of 1977 stood at $8.7m. Foreign currency liabilities during the first five months of last year had increased substantially and these, presumably, were dollars to the Currency Board in exchange for dirhams under the swap arrangements.

However, at the end of 1977, foreign currency liabilities were Dh 1bn less than at the end of 1976, in spite of the increased requirements from local banks. On the assets side the currency Board has substantially reduced its foreign exchange and gold holdings. Deposit and current accounts have, on the other hand, incerased as the Currency Board required increased *deposits from the commercial* banks in the course of 1977 and resumed its activities as lender of last resort.

The main measures introduced by the Currency Board in the course of 1977 in order to regulate the banking scene were:

A moratorium on the establishment of new banks or *new* bank branches; new branches could only be opened if other branches were closed;

Reserve requirements in dirhams were raised from 5 to 7.5 per cent and from 1 to 5 per cent on foreign currency (the dirham requirement was eased slightly early in 1978 as merchants panicked over the "recession");

An advances to deposits ceiling of 100 per cent was recommended;

Foreign banks were requested to establish a capital base in the UAE and local banks were asked to keep their capital account at no less than 1:15 of their assets;

Audited statements were to be presented more promptly and accurately.

The Currency Board, under its new managing director Abdul-Malik al Hamar, is attempting to get banks to comply with these principles by persuasion rather than diktat. "We don't want to be aggressive," says al Hamar, "we want to restore normality and compliance with Currency Board regulations." The Currency Board is treating each of the 51 operating banks on an individual basis, and some have asked for an extension of the time needed to comply with the regulations. The capital/liquidity ratio could have posed a problem to some of the locally incorporated banks, who would have to raise money from the shareholders, as could the credit ratios — many of them are heavily invested in long-term property lending, so cannot easily reduce their credit ratios.

As the Currency Board, with the assistance of two IMF advisors, has been preparing to become a central bank, the National Banks of Abu Dhabi and Dubai have effectively been acting as Government bankers in their respective Emirates. Out of the 51 banks in operation in the UAE, these two, with a few others, dominate the banking scene. According to Currency Board figures at the end of November, 1977 (the latest published), when only 49 banks were in business, only two banks had assets of over $500m. A further six banks have assets of over $200m but less than $500m; 15 banks have assets in the $38m to $90m category and nine banks have assets of less than $12m.

The picture is not very different on the deposit side of the book. Two banks account for 42.8 per cent of all deposits, a further three account for another fifth and 17 banks share less than 2 per cent of all deposits. Total deposits at the end of November, 1977 were $4.9bn.

The expansion of credit to the private sector in the UAE was sharply curtailed in the second half of 1977. Overall the total lent to the private sector stood at $4.6bn, an increase of 56 per cent over the previous year (compared to a rise of 84 per cent in 1976 over 1975), but the increase in the second half was only 14 per cent. Almost two-thirds of bank credit to residents was to residents of Dubai and the Dubai banks accounted for the larger part of the increase in lending.

Dubai's main preoccupation is trade: almost half of all the borrowings by Dubai residents are trade related. Even their cement imports are more likely to be for resale rather than use. In contrast, Abu Dhabi residents borrow mostly to finance construction: at the end of September last year nearly 45 per cent of all borrowings from Abu Dhabi based banks were for construction purposes, 36 per cent for the construction of buildings. Trade borrowings accounted for only about a third of the total lent in Abu Dhabi and construction for barely over one-fifth of the total lent in Dubai. (And yet, physically, both Emirates seem to be building as many shopping, apartment, office blocks as each other although not as many as Sharjah.)

Borrowing to finance building accounted for about 28 per cent of all borrowings from Sharjah-based banks at the end of September, 1977—which must mean that banks outside *the Emirate* are financing a considerable part of the construction within it. Sharjah is the Emirate that has suffered first, and may turn out to have suffered most, from the gradual erosion *of property* market values. The actual amount outstanding at the end of September last was $146.5m. Trade finance in Sharjah accounted for barely a fifth of the borrowings then. Government borrowings also vary between the three principal Emirates. At the end of last September the Sharjah Government had borrowed $188.7m from the banks based in its territory. The Dubai Government accounted for nearly 11 per cent of the credit extended by Dubai-based banks and the Abu Dhabi Government for only 0.4 per cent.

Growing

In Abu Dhabi, the National Bank of Abu Dhabi's investment department and the Abu Dhabi Investment Company are both growing rapidly. They are competitors in spite of common shareholdings; the Abu Dhabi Investment Authority (the body responsible for investing Abu Dhabi's surplus) owns 66 2/3 per cent of the National Bank of Abu Dhabi, and ADIA and NBAD have respectively 60 and 10 per cent of ADIC. The general Abu Dhabi public holds the remainder of the shares in both ADIC and NBAD. *Although* they have not been operating for very long, and the NBAD's investment department is still adding to its staff and capability, both have already been involved in a number of local, regional and international borrowings.

There are a number of loans in which they have acted as co-managers — for the Republic of Venezuela ($350m), for Emirtel, the local telecommunications authority ($100m) and both are currently working on the $50m rather more difficult placement for the Abu Dhabi Gas Liquefaction Company.

The Currency Board is keen to see more merchant and investment banks in the Emirates (but is duly cautious about proliferation) in order to add to the depth of the UAE financial community. The desire and need to add to the skills of the local banking fraternity was one of the reasons cited for the issuing of restricted banking licences (RLB), which permit the holder to practise all forms of banking other than offering dirham current account services to residents. The RLB licence does *not* automatically include exemption from local taxes such as Dubai's preferred 20 per cent of bank profits.

There are *now five RLB's in* existence, out of the original 12 that took out the licences, which were free. The other licences have effectively lapsed. The only obligation on the holder of an RLB is that he must have a foreign exchange operation of some respectable size. The RLBs themselves are more interested in various forms of project finance in the region as well as the Emirates, and see themselves doing mostly medium term business. "Where we contribute to the local market is in helping with the circulation of funds," comments one RLB manager, "borrowing from the bigger banks to lend to the smaller." Retail bankers in the UAE believe that the RLB concept will be allowed to fade away with time as distinctions in practice also begin to blur.

The results of lending to the property sector apart, it seems as though there are no nasty shocks on the immediate horizon for the UAE banking community. The Janata Bank, refinanced and with more cautious management, is open for business again and it is likely that the Ajman-Arab Bank will be reopened when refinanced but under a new name. Ajman at the moment is the only Emirate without a "national" bank. The UAE Currency Board is pursuing its case against the American partners in the bank in the U.S.

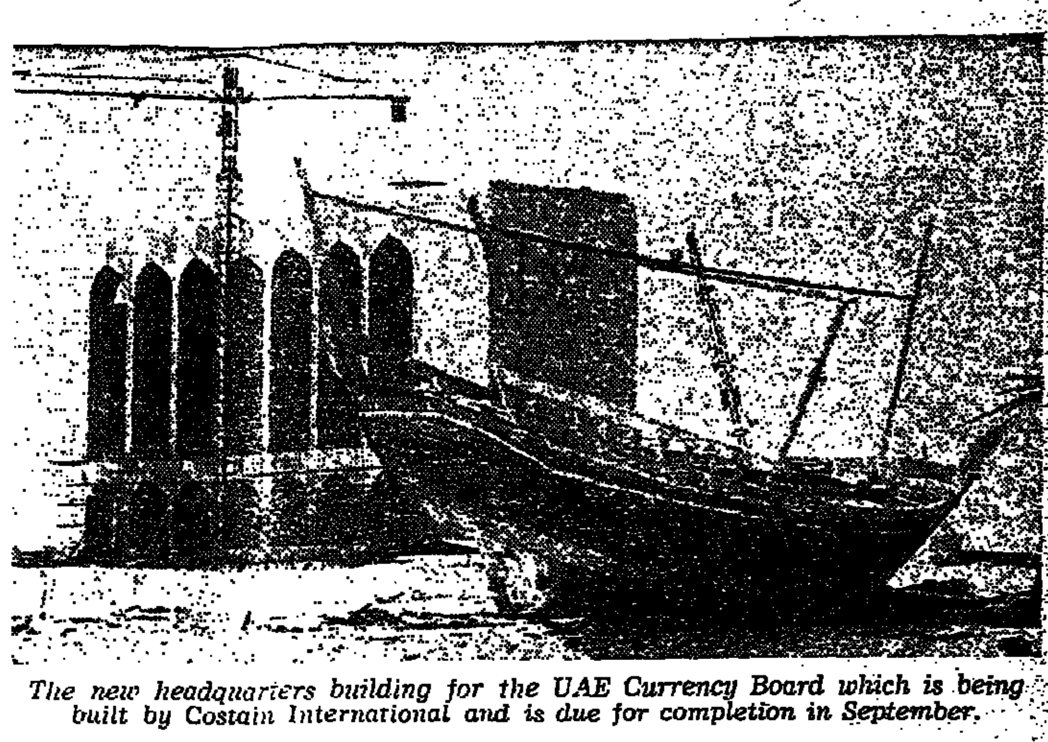
Even if no Central Bank emerges from the body of the Currency Board this year, UAE bankers, like their counterparts elsewhere in the Gulf, will continue to expand their business—but on much more sober lines than in the past.

D.T.

هكذا من الأصل

BORROWING

A complex picture



The new headquarters building for the UAE Currency Board which is being built by Costain International and is due for completion in September.

THE MOST frequent visitor to the international capital markets from the UAE has traditionally been the ruler of Dubai, Shaikh Rashid. In 1976 and 1977, he sought funds in the Euromarkets for one ambitious development project after another.

The picture these days is far more complex. The range of borrowers from the UAE has increased. The smaller Emirates and the richest of all, Abu Dhabi, have begun to tap the markets. The private sector has overcome initial doubts about borrowing and started to resort to Eurofinancings. At the same time, however, direct borrowings by the rulers of the Emirates in their own names has tapered off, as international bankers have become more conscious of the political differences that still linger among the Emirates, such as the row over the amalgamation of the defence forces, and the failure to push ahead with converting the Currency Board into fully fledged central bank.

These uncertainties are clouding the climate for borrowers from the Emirates, especially the smaller ones. Abu Dhabi clearly retains the banking community's confidence, and by the same token a federal body like Emirtel — the telecommunications company — is seen as an excellent risk because it has the full backing of Abu Dhabi. When Emirtel — 60 per cent UAE Government and 40 per cent Cable and Wireless and IAL—was introduced into the Euromarkets last year with a loan for $100m, it was the Abu Dhabi Investment Company (60 per cent owned by the Abu Dhabi Investment Authority) that acted as guarantor. For its recent second borrowing of $100m, Emirtel was sufficiently well-known and respected to do without a guarantee, and the rate it paid —⅞ per cent above Libor for two years and ⅞ per cent for six years, against 1¼ per cent over seven years previously — did not suffer significantly.

Abu Dhabi itself has just made its long-awaited début in the Euromarkets, with the announcement of a $50m credit for the Abu Dhabi Gas Liquefaction Company over eight years on a split spread starting at ⅞ per cent.

Dubai, in the personage of Shaik Rashid, seems to be opting out of direct borrowings at present. Last year, the ruler took four major loans in quick succession, $225m, $230m, $150m and $200m. The first two — both over six years at 1½ per cent above Libor—were for the aluminium smelter and the gas gathering and processing complex, respectively.

Of the latter two—announced in the space of a week in July—one was a general purpose loan and the other for Dubai Electricity, and both were over three years, raising the question in some bankers' minds that perhaps Sheikh Rashid was having cash-flow problems. Others, however, considered that it was simply a case of Rashid seeing the opportunity to get some cheap shorter-term finance to fulfil distinct cash-flow requirements.

Servicing

Whatever the reasons, last year's borrowing added a hefty chunk on to Dubai's total debt and its debt servicing needs. Even before the $150m and $200m deals, debt servicing was reliably projected to rise to $260m in 1979 and $273m in 1980. But adequate financial information is hard to come by. Several major banks refuse to lend to Dubai for that reason; others by now must be reaching their limits on Dubai.

Thus, if Dubai does need extra finance from the Euromarkets for the dry dock and aluminium projects, as seems possible because of cost overruns, the Ruler might find the welcome less warm than previously, and this will show in the rate he has to pay. He might get round this partly by using a surrogate borrower. Significantly, imports of alumina for the aluminium plant are being financed by a $25m credit to the Dubai Aluminium Company (Dubal), which is 80 per cent-owned by the Dubai Government/Ruler. Significantly, too, banks which had previously been prominent in lending to the Ruler—notably Morgan Grenfell and Lloyds Bank International — were absent from this latest three-year deal, which formed the Allied Arab Bank's first lead management. Sheikh Rashid will probably get by, but more bankers are prepared to question the wisdom of some of his projects now than a year ago.

On Sharjah, banking opinion is much more clear-cut. "It's in deep trouble," said one major bank which refused to take part in the recent $200m loan to rescue the Emirate on the grounds that the risk was too great, even with the guarantee of Abu Dhabi. Another banker commented, "I doubt if you'd find a bank in the world willing to lend to the Ruler of Sharjah in his own name." But backed by Abu Dhabi, the loan drew a good response. The spread at 1 per cent was well below the 1⅞ per cent Sharahj paid last year, but was generous for what is essentially an Abu Dhabi risk.

Borrowings by other Emirates' rulers have tended to be for specific projects or contracts. Ras al-Khaimah raised $20m last autumn for oil exploration and setting up a lime kiln. Ajman raised $4m and $2m at the end of the year to assist the financing of contracts awarded to F. J. C. Lilley (Marine). The fact that amounts of these sizes had to be syndicated at all says something about the way bankers regard the smaller Emirates and set their limits.

It is unlikely that these rulers could borrow at present in their own name on terms that would be acceptable to them. More corporate borrowers are likely to be seen, however, for specific projects. An example is the Union Cement Company's current operation for a joint amount of $25m and KD11.7m, lead managed by the Industrial Bank of Kuwait and the Kuwait Foreign Trading, Contracting and Investment Company.

UCC—some 80 per cent owned by Ras al-Khaimah Government/ruler—needs the money for phase two of its expansion which will take plant capacity up to 1m tons a year. The proliferation of projects to build or expand cement output in neighbouring Emirates or States has not apparently affected the way the loan is regarded by banks, because UCC is generally regarded as a high quality producer. A borrowing by the company fell through last year at an advanced stage because it was to be guaranteed by the Currency Board and lawyers for the lending institutions were not satisfied about the Board's legal authority for doing this. The new deal is not directly related to last year's abortive one. There is no formal guarantee this time, which helps explain the relatively high spread being paid on the dollar portion of 2 per cent over Libor.

A number of other borrowers —usually members of the ruling families or prominent merchants—have been using the Euromarkets to raise small amounts for their own private projects, normally in the real estate field. An example of this was the $17m raised for seven years at 2 per cent over Libor for Abdel-Jalil al-Fahim and Sons by Abu Dhabi Investment Company for the Holiday Inn project in the Emirate.

Paralleling the emergence of new borrowers from the UAE has been the sudden rise to prominence in international lending of institutions owned by the UAE or Abu Dhabi Governments. ADIC was set up only in February, 1977, but it has already made its mark on the markets, lead-managing, co-managing and participating in both Eurocredits and Eurobond issues for borrowers as widespread as Mexico, Philippines and Hungary, as well as the more obvious Gulf clients.

National Bank of Abu Dhabi —like ADIC majority owned by the Government — has also recently begun to bid aggressively for loan mandates, though often the two institutions end up in the same management group, as in the recent Emirtel and Abu Dhabi Gas Liquefaction deals. If two such banks were not enough for Abu Dhabi, it is also a shareholder, through the UAE Government, in the Bahrain-based Gulf International Bank, which in the last few months has become as much a talking point among U.S. and European bankers as the other two local houses. GIB is owned by seven Gulf governments including Saudi Arabia, Iraq and Kuwait, as well as the UAE.

All three institutions have seconded or lured British and American bankers to work for them. Ultimately, the idea is to have a corpus of trained and experienced Arab bankers serving the lending needs of local clients from the Gulf, rather than London or any other of the present syndication centres.

Whether these local Arab houses view Arab lending risks any differently from other international banks is a moot point, but they do not automatically get given mandates for Arab borrowers. In the $200m Sharjah deal, it is notable that neither ADIC, NBAD nor GIB were participants even though the loan was guaranteed by Abu Dhabi.

The rulers of individual Emirates will continue to find it difficult to raise money abroad in their own name as long as political divisions remain in the UAE. The ruler of Ras al-Khaimah's recent public gripe about lack of federal financial support has not exactly filled Western bankers with confidence about that Emirate. Lending to a central UAE authority for a project in, say, the Ajman region would be a totally different proposition to lending to Ajman in its own right. That is why a central bank, with authority to control and monitor foreign borrowings, would mark such a great step forward.

Brian Thompson

EXPATRIATES

The good life

THE UAE has become a very comfortable place for the western expatriate to live, with all the advantages of living tax-free in the Arab world and very few of the disadvantages.

Those who were here before the boom might complain that things were better in the old days when the pace was slower, life tougher and people had more time for each other, but for the average expatriate who does not want to forfeit his cornflakes or roast beef when he goes abroad, life is pretty good.

Most expatriates—there are about 20,000 in all—come out on two-year contracts, and the fact that many decide to stay for a second term is not just due to their bank balance.

Ten years ago the majority of westerners were heads of companies running small offices but the cross section of society has broadened now, hastened by the construction boom which brought out expatriates from all walks of life. For many it is their first taste of life abroad and some find it difficult to take. There are the coffee morning moaners who complain about their husband's hours and the cost of living, but one suspects they would probably moan whererer they were.

Working hours are long—it is a six day week and most men work at the very least an eight hour day. There are special frustrations for those who like to get things done in a hurry. In the summer temperatures are unpleasant with the heat building up from the end of April onwards to around 120 degrees Farenheit with 90 per cent humidity in June, July and August, cooling off again around October.

The heat is tiring, but with air conditioning in homes, offices and most cars it is bearable, and there are plenty of expatriates who ignore it and continue to play sports all the year round.

The most obvious reward for working in the UAE is money, with the average salary twice the UK equivalent but of course not taxed and with the added benefits of free housing, car, schooling and air fares provided.

Most companies give local leave in addition to annual leave, and a growing number of people are taking the opportunity to visit other countries, including Iran, the Far East and sub-continent.

While most people—at least if they are honest—will say they were initially drawn to the UAE by the salary, many will also add that the extra responsibility at an earlier age and the challenge of a competitive and stimulating business environment were other important factors.

The influx of foreigners in the past few years has been tremendous and the effects have not always been for the best. Five years ago UAE nationals were more accessible in both offices and homes. Now there are too many people, the place has grown too quickly and attitudes, too, have changed. Both for the young Arab, who can go out and buy a Trans Am at the age of 17, to the expatriate who can save more money in two years than he would earn in one year at home, it is a money-oriented society.

There is plenty to spend money on, with restaurants, a thriving night life and expensive boutiques. Alcohol is available in hotels and, with a licence, at home. But the majority of expatriates come with a view to saving, either for their first mortgage or to buy a bigger home when they return home.

The average expatriate tends to lead an unreal life, barely touched by the Moslem culture around him. He meets very few Arabs and mixes in his own circle, probably with his own company. There is little interchange between the different cultures.

But those who do make the effort to penetrate the Arab circle find they make a friend for life and one who is likely to be as curious about them as they are about him. However, it is unlikely that many western males would enter the inner sanctum of an Arab's family life, or meet his wife.

For the expatriate wife, living in the UAE presents no particular difficulties. She can drive—and most families have a "wife's car"—she can shop in air-conditioned comfort, buying almost all the goods she could buy at home, she can work and move about in Western clothes, unmolested.

There are unpleasant occasions when she may be stared at by the numerous Asian immigrants, especially if she is alone in the souk or on the beach, but provided she is sensible she is unlikely to suffer anything worse than looks.

As elsewhere in the world, food is probably the biggest item on the family budget, and this has been hit by inflation and transport costs. The average family food bill probably comes to around $600 a month, and more if they entertain a lot—and most people do. Until recently fresh meat and dairy produce was something of a luxury, but six months ago an enterprising English couple began weekly airlifts of fresh

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THE MERCHANTS OF DUBAI

New markets for old

THERE ARE no published statistics about exactly how many watches per man, woman and child of Dubaian nationality were imported by the merchants of Dubai last year, but a rough calculation based on 80 tons of watches and the average watch weighing 1½ ozs, would suggest that 50 was about the right number. Re-running the figures for the total Dubian population of some 200,000, would give around ten watches per head, and similar calculations would show that Dubai imported four transistor radios per head, three radios-cum-sound recorders per head, and one television for every two people. Likewise the average adult female resident of Dubai in 1977 appears to have got through the better part of a gallon of perfume.

In colder economic terms Dubai's enormous sales of consumer goods mean that in recent years the State's imports have been running at well over twice the value of the imports of any other State in the lower Gulf, including Oman. Apart from Saudi Arabia, of course, only Kuwait among the Arabian Peninsula countries last year imported more than Dubai. Kuwait's imports ran at some $4.8bn, against Dubai's $3.3bn.

Part of the explanation of this extraordinary pattern of trade is that many of the goods imported by Dubai are sold in the Northern Emirates or Abu Dhabi. Many of the bigger merchants have agency agreements which take in not just their own Emirate but all of the UAE. For example, the Al-Futtaim enterprise, which markets Toyota, Honda, Hino, Chrysler, International Harvester, Toyo, General Tyres, National Panasonic, Sanyo, Toshiba, Seiko, ITT, part of the Philips range, and Timex, and probably counts as the biggest merchant group in the lower Gulf, has every one of its agencies on a UAE-wide basis.

More important for Dubai, though, is the re-export business, which over the past five or six years has undergone a significant change in shape. In the years up to the oil price explosion of 1973-74, the trade was based on the commercial re-export of goods in bulk by the merchants — partly legitimately and partly as contraband. The smuggling business involved the sale of cloth, medicines, and cigarettes in Iran and the sub-continent, but above all it concentrated on shipping gold bullion and gold watches to India. The trade reached its peak in 1970, when Dubai's gold imports totalled 259 tonnes, or about 20 per cent of new gold mined in the free world that year, but thereafter it declined rapidly under the impact of the soaring gold price and the more effective precautions being taken by the Indian coastguards. In June, 1973, imports dropped to zero, and since then the trade has never really recovered. Last year imports were 41 tonnes, and in the early months of this year, it is known that there were several successful cargoes shipped to India—together with one or two going across the land frontier in late 1977 and signs of a revival in textiles smuggling.

The other half of Dubai's traditional re-export business—the legitimate trade built on the Dubai merchants' skill at finding more popular and cheaper goods to sell than wholesalers in neighbouring countries—has not declined in absolute terms but has been dwarfed by recent developments. Last year visible re-exports of this type ran to just under $300m—of which nearly 90 per cent went to Iran, Saudi Arabia and Qatar.

What has changed so much since 1973 is that Dubai is now used as a shopping centre by hundreds of thousands of visitors and immigrants, which means that the bulk of the goods re-exported go out quite legitimately but unrecorded, on peoples' persons, in their suitcases or as hand baggage. There were always large numbers of people from Qatar (and Abu Dhabi) who want to shop in Dubai, but since the oil boom and the population explosion the invisible consumer re-export business has come to dominate the whole business scene in Dubai. One way or another it is reckoned now that about three-quarters of the consumer goods imported by Dubai and sold over the counters of Dubai and Abu Dhabi find their way out again. Among the items mentioned above, *the only partial exception* to this rule is perfume, which, as anyone involved in the pharmaceuticals or beauty business in the area will testify, Arabian women consume in truly staggering quantities.

As far as Dubai's other major consumer imports are concerned, as soon as any economy in the Middle East or south Asia begins to close its doors to manufactured imports, it opens up a new market for Dubai. As an almost universal pattern, citizens of India, Pakistan and the poorer Arab countries working in the UAE buy the sophisticated Western consumer goods which they cannot get at home, but which in most countries they are allowed to bring in in small quantities for their "personal use" when they return home. Once through customs in his own country the returning workers sells his purchases at a black market price high enough for him to pay for his month's holiday out of the profit. Indeed the closing of an economy in the region not only opens the way for this sort of transaction by nationals already working abroad, it positively encourages its people to emigrate by providing them with a material incentive in addition to the higher wage rates available in the UAE.

The returning workers market is supplemented by business visitors and by Saudi retailers who come to Dubai to buy stocks to resell to pilgrims during the Haj—though most of the Saudis' purchases show up in the visible trade statistics already mentioned. It goes without saying that each one of these groups of buyers represents a market for electronics goods and watches par excellence—these items being regarded as prestigeous possessions in Third World countries. Anyone who has looked around the inside of airports in the Gulf when a PIA or Air India flight is due in will have noticed that almost every waiting passenger has a large and expensive TV or tape recorder with him.

However, Dubai's trade is suffering at least a temporary setback because of the ending of short stay visas by the Federal Government late last year. This has effectively ended most of the shopping expeditions from elsewhere in the region to Dubai, and reduced the number of businessmen making visits. In some quarters it is claimed that the new rules have cut Dubai's sales by about 20 per cent and maybe more.

Consequences

For the Dubai merchants, one of the consequences of this pattern of trade has been the need to be extremely internationally minded and to think through regional economic developments in remarkable depth. A hypothetical example of this was suggested recently by a marketing manager selling electronics goods for a Dubaian enterprise. "Say that country "X" is wanting to buy a French nuclear power station, then the more astute Dubaian businessman *will make a particular* point of monitoring developments in the sale, in case the French succeed—as they have done in the past—in incorporating the sale of their own SECAM colour television system, as part of a package. If this happens it may be that the businessman should look into the possibility of his selling TV sets geared to the SECAM system in addition to the sets geared to PAL (the UK system) he sells already. If he decides in favour of the idea, then he will want to be *arranging the appropriate agencies* some years before the demand actually materialises."

Because of its cosmopolitan population combined with its 20 year tradition of trade and liberal government, Dubai is a very much more competitive market than Abu Dhabi. People are very price-conscious (partly no doubt because they are looking to maximise their profits on the resale), whereas in other Arabian Peninsula oil states consumers are surprisingly unprice-conscious and ill-informed *on what qualities they should be* looking for in the goods they buy. Products are much quicker to gain acceptance in the Dubai market, and so merchants who have a UAE-wide agencies will often introduce a new line in Dubai to test the market's response and the success of their own promotion before they try it in Abu Dhabi.

It follows that in Dubai goods do not sell, as they do elsewhere in the Gulf, on the basis of their having a long-established reputation, of the sort which may buffer a brand against competition from superior and/or cheaper products, and make it a very long process for such products to break into the market. The reason is not that in Dubai the advertising used to *introduce new products to consumers* is of a higher standard than elsewhere—it is not, even though TV advertising is allowed for three minutes in the hour whereas it is banned altogether in Saudi Arabia. Nor is it that people in Dubai are very much more responsive to advertising. The explanation lies mainly in the very big turnover of population and visitors, which makes a reputation hard to establish in the first place.

Interestingly, in planning their advertising and promotions the Dubai merchant houses do not aim, as outsiders might imagine, at specific racial/cultural groups. In part this is because the media is not as much divided up according to consumer groups as it is in Western societies. There are also problems of a more or less technical nature, such as the impossibility so far of finding a Dubaian girl prepared to model vacuum cleaners to enhance their appeal to Dubaian ladies. But most important of all it is felt that it would be politically awkward *to be seen to be aiming an* advertising campaign overtly at a minority group. If there is any racial/cultural bias in Dubian advertising, it is towards the Dubaians themselves, because it is felt that it is best to try to harmonise with the indigenous culture.

In no sense are advertising campaigns in Dubai sophisticated— nor are they in any Gulf country—because in recent years the market has expanded so fast that merchants have had little need to make their marketing competitive. From $605m in 1973, Dubai's imports doubled in 1974, increased by 50 per cent in 1975, and increased by a third in both 1976 and 1977. The last of these years was one in which Dubai was felt to be going through something of a recession, which was most apparent in the property market. In recent months, however, the consensus has been that business is modestly on an upturn. The property crisis has eased, giving a good many businessmen better cash flows, while both the Abu Dhabi and Dubai governments are still spending at a high rate. As a result the merchants are more confident, and it seems that they are opening more letters of credit.

But the question has to be asked of what will happen to Dubai as a business centre in the more distant future—assuming that political stability is maintained?

At present the merchants' business in Dubai is predominantly a matter of importing, stocking and then wholesaling and/or retailing within Dubai and Abu Dhabi. A small volume of goods is smuggled still, which calls for specialist expertise, and larger volumes are re-exported visibly to neighbouring countries, which calls for a certain knowledge of local conditions in those markets. There are also just a few cases of merchants dealing at arms' length, buying, say, scrap iron in London and then reselling it directly to a buyer in Karachi without it ever touching Dubai. A few merchants have sold to Iraq and Oman on this principle, and it is known that the Union Bank of the Middle East, owned by Abdel-Wahab Galadari, has done some arm's-length trade finance. But it is still true to say that examples of this type of trading are few and far between. Certainly there is none of the merchanting of the Hong Kong or London type, where merchant houses will buy and sell in the products in which they specialise, in effect matching markets with the best source of supply and using their names as a guarantee of the integrity of the products.

Expanding

However, there is a school of thought which argues that if Dubai is to continue to develop and prosper in future, it should be expanding into precisely these types of operations. It is suggested that the big Dubain merchant houses might one day turn into companies rather like, say, Jardine Matheson, or, on a rather more specialist plane, into trading businesses such as those associated with the names of Louis Dreyfus, Bunge, Ralli Brothers or Volkart Brothers. The first signs of such a development taking place would probably be the establishment of one of the big international houses in a partnership with one of the local Dubain houses—as Jardine Matheson has recently bought into one of the biggest Saudi merchant groups, albeit with different purposes in mind. The Government might help by cautiously encouraging the establishment when the time was ripe of trading associations and exchanges for different types of goods.

It goes without saying that developments of these sorts can only come slowly — Dubai already has a domestically orientated stock and commodity exchange and it is not very active. On the other hand the development of an international trading business as a diversification away from oil would probably take no longer than it will take Dubai's heavy industries to become viable—and it would certainly be more in tune with Dubaian society.

Michael Field

EXPATRIATES

CONTINUED FROM PREVIOUS PAGE

food from the UK and prices have come down.

Shopping can be frustrating as occasionally a particular item or brand will run out completely, and this used to happen frequently when port congestion was at its height and goods sat offshore for months. Food may not always arrive in the condition it should. Cereal may have gone stale in transhipment and flour and rice tend to breed weevils. One simply learns to sift flour and look carefully in cereal packets.

Accommodation is one item of expenditure which rarely touches the expatriate directly. Although company housing varies with status and the company's generosity, most people are adequately housed. In Dubai the popular choice is Jumeirah, a sprawling beach development of villas. Rents are high, running in the region of $25,000 pa for a villa in Dubai—but this is the company's problem.

Schooling is by and large good but expensive, although here again it is likely to be the company which pays in one form or another. In Dubai there are expatriate schools in most languages, taking children up to the age of 11 and staffed by a mixture of expatriate contract staff and locally employed wives. The most recently built schools, with higher capital costs to meet, charge a debenture (up to $5,000) for each place, which can be sold when the child leaves. On top of this the fees are around $350 a term.

Dubai is shortly to get its British-standard secondary [illegible]. To be called Dubai [illegible] it will start operating [illegible] September with about 80 pupils and should move into permanent premises next January. It will complement the English primary schools in the Emirate and provide O level and eventually A level courses to the University of London *standard*.

With a six-day week, what to do on the Friday weekend becomes of major significance. Almost every sport is available, with expatriate cricket, football and rugby clubs, polo, golf, sailing, tennis and water sports. In recent years recreation has become quite organised, with established clubs for most sports, annual leagues and trophies as well as local sponsorship.

There are the big annual events, but it would be unfair to suggest that expatriates live a British Raj type of existence —they are too busy working for that. To compensate for the Wimbledons, Henleys and Ascots there are home-made equivalents organised by bands of enthusiastic committee members. Principal of these in Dubai are the Annual Tennis Open with its finals played at the British Embassy Court, the Rugby Sevens, complete with massed bands of the Army and Police, and the Raft Race, which is basically a fund raising day for the football club and consists of teams paddling round a specially devised course on rafts made of oil drums. Last year about 6,000 expatriates turned out to watch and cheer.

Such events allow some relaxation in what is basically a hard-working environment. It is this sort of freedom which makes the UAE one of the pleasanter countries to live in.

Celia May

UNITED ARAB EMIRATES XX

LABOUR

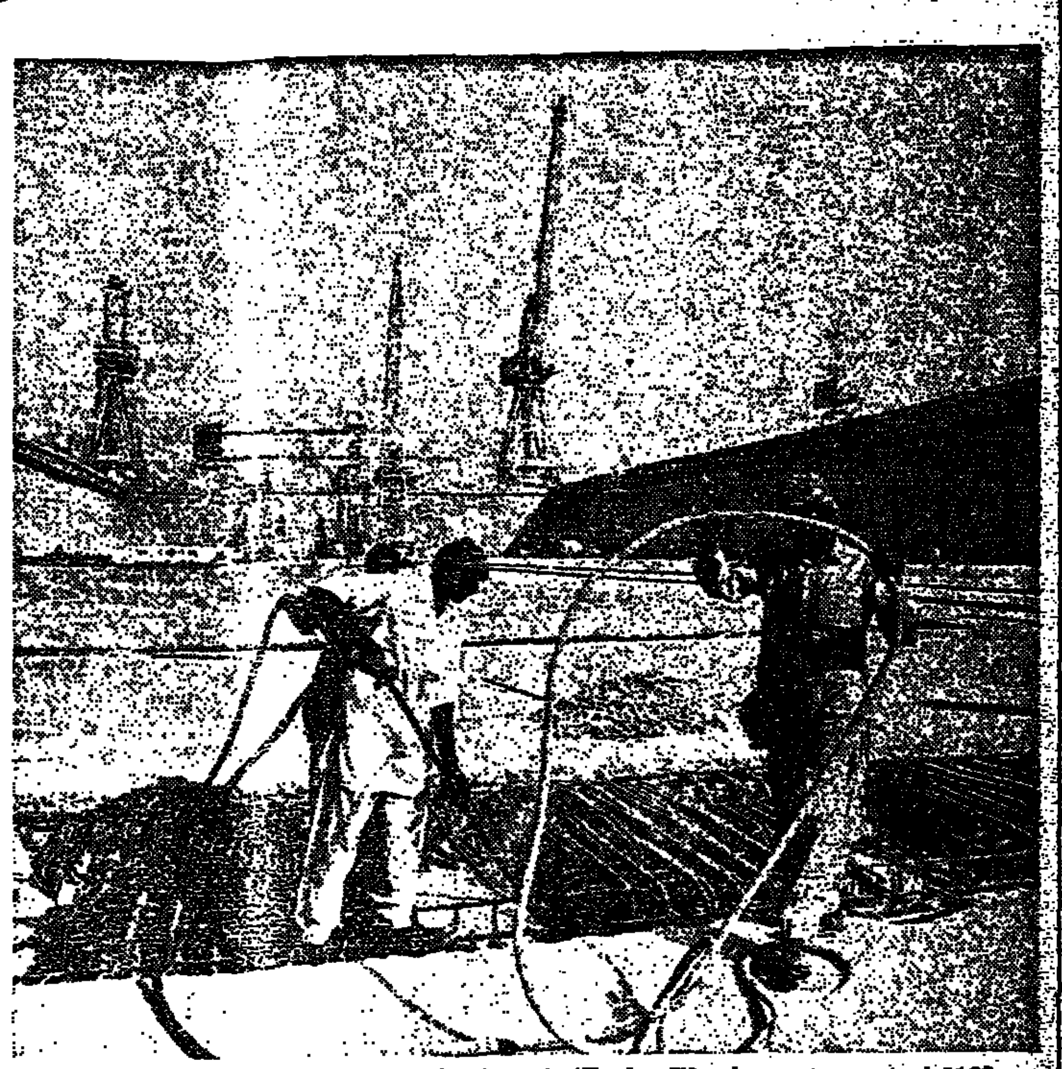
A growing force

YOU CAN see shop-signs in the UAE with the legend "trading, shipping, freight and labour supplies." Labour is regarded as a commodity in the Emirates, procured, handled and packaged with the minimum fuss, the maximum acceptable profit and, many in the West might be tempted to say, minimum dignity for the workforce.

The UAE boasts abundant supplies of relatively cheap labour, yet has few workers of its own. The latest official population figures are not released because of their sensitivity, but from recent statements in the federal National Council and information from well-informed local officials, the 1978 population can be estimated at 650,000 foreigners and 210.000 nationals. This means that three-quarters of the people living in the country are foreign.

When the business community speaks of "good labour conditions," a phrase which is frequently heard, it is an assessment strictly from the employers' viewpoint. Foreign workers do not have much by way of rights. Strikes are illegal, as are attempts to organise labour unions of any kind. Troublemakers are identified and deported swiftly and without fuss. One stabilising factor on worksites is the traditional mistrust between Indians and Pakistanis who together form about two-thirds of the foreign labour force. This may be one reason why there have only been three publicly recorded labour disputes in the last two years despite low wages and debilitating conditions.

The federation is only beginning to come to terms with the implications of the society it wants to build. In many quarters industrialisation is still seen as the cornerstone of socio-economic development. Imported labour, whose existence would change the market the factories produce for, could eventually become the key element round which society will have to adapt itself. The foreign workforce is the single most important part of the country's infrastructure—politically, economically and socially as important as oil reserves. The Government is gradually recognising this, but only slowly—possibly because this is almost the first time in history such circumstances have arisen.



The Dubai Dry Dock, being built by Costain/Taylor Woodrow at a cost of £162m, was hit last year by a strike for better pay and accommodation.

The most important section of the bulk labour force is from Pakistan and India, making up an estimated two-thirds of the unskilled workforce. Workers are paid about Dh 25 a day, which provides them with a surplus for sending home only because of the unpleasant conditions (living often five or 10 to a room).

Some big contractors provide workers with food free of charge and maintain site canteens which get through vast volumes of rice every day and provide workers with food free of charge. The motivating force to persuade labourers to work unprotected from the heat and humidity of the Gulf is their ability to earn just enough to save. The alternative to the steaming primitive shacks that the less fortunate workers live in is to return to the sub-continent, usually to no job at all. Employers have a considerable hold over the workers, who cannot leave without a letter of release. If they do so their next employer often pays them less under threat of exposing them for deportation.

Recruiting

The system for recruiting workers involves agents in Pakistan and India liaising with brokers in the UAE who supply the requirements of the big contractors. There are many honest brokers. Many of the big contractors are, by local standards, honourable, fair employers. But workers from the sub-continent are frequently treated outrageously. Sometimes they pay huge sums to employers as surety from which the employer can deduct money or threaten to do so. Sometimes they pay large sums, often borrowed at high interest rates, for spurious formalities. In the aftermath of one short-lived strike it was claimed that workers were being asked to pay Dh 1,000 (one month's unskilled wage is Dh 350-700) as surety for visas.

These are the lucky ones. The most unfortunate workers from the sub-continent make illegal crossings to the east coast of the UAE sometimes paying hundreds of dollars to the Dhow owner. Some arrivals are not even aware their entry is illegal. Others arrive with no more than a scrap of paper bearing the name of an acquaintance and a few rupees in their pockets. In more tragic cases the dhow captains drop them off in the coastal waters off Fujairah leaving them to wade ashore, sometimes with wife and children. In August 1976 a massive attempt to smuggle 600 Pakistanis into the country failed when one of the boats went aground off Fujairah. Those who were caught included many women and children who were deported the next day. Last year 170 people are thought to have drowned in an abortive attempt to cross from Pakistan. The crew of the illegal vessel allegedly forced the passengers into the water at gunpoint as UAE gunboats arrived. Those who land successfully are sometimes unaware of the geography of the country and are soon parted from their remaining savings by taxi drivers to pay for the trip to Dubai.

Last year the Government, increasingly aware of the immigration problem, made efforts to stop illegal immigration with coastal patrols and a clamp down which included an amnesty. But the economic attraction is great for both employer and employee. While economic demand continues unscrupulous brokers will always find a market for the Dh15 a day worker who will keep his mouth shut for fear of deportation. Last year's two-month amnesty was successful with a more privileged category of immigrants, those who arrived illegally by plane (taking advantage of a 96-hour transit visa and leaving their passports at the airport). Early last year Abu Dhabi announced that it was holding 16,000 such passports, while they were being left at Dubai Airport at a rate of 1,000 a month. The amnesty required people giving themselves up to present a sponsor's name to the authorities. For this reason it seems unlikely to have dragged up many of the less privileged illegals — and officials still stick to their conservative estimates of 50,000 unlawful immigrants, which coincides with their estimates of numbers unemployed.

Last year's clampdown was followed by the cancellation of the transit visa system, imposed in the wake of the murder by a Palestinian of the Minister of State for Foreign Affairs, Mr. Saif Ghobash, an event which stimulated some very hard thinking about immigration. The move has had a serious effect on business in Dubai, in particular where hotels have lost the trade of casual western businessmen, while the Souk has had to go without the stimulus of large-scale shopping expeditions by dhow from across the Gulf.

For the first time since the oil price rise boom more people have been leaving from UAE airports than arriving. About 50,000 resident workers are said to have left last year. Others cannot leave because they cannot afford the fare home. One driver from Kenya said he had been unable to leave after his company went bankrupt because he had not received the compensatory money allocated to him.

Because of the lack of education among UAE nationals and the development of local and federal bureaucracies, almost all the skilled clerical and administrative staff are foreigners, mainly Levant Arabs, Palestinians and Egyptians. From the social and cultural point of view these immigrants adapt better to conditions in the UAE. They are vital for the administration of the country since they know Arabic (which only a minority can claim). Officials say there are about 70,000 foreign Arabs, of whom 30,000 are Palestinian with fewer Egyptians. A number of Lebanese businessmen have remained in the UAE having arrived during the Lebanese civil war.

An incidental quirk of the UAE's population pattern is the age and sex ratio. Unlike most developing countries the broadest part of the pyramid is the adult category, with young people under 15 years old less than one third of the total. There are no accurate estimates of the sex ratio, but since most of the foreign labour force is single and male there may be a male female ratio of 70:30 or even higher.

One of the unknowns of the future is the point at which industrial and construction labour will begin to cost significantly more. Wages have remained low for years despite an extraordinary rise in the cost of living. Until now there has always been a substitute employee just down the scale as a replacement when the employer's costs have risen. This principle applies from the top (where employers faced with rising accommodation costs for a professional European began to employ Indians when the annual cost reached £35,000 a head) to the bottom (where costs can be cut in construction by recourse to illegal immigrants).

There have been three publicly reported labour disputes since 1976, but strikes are wrapped up so quickly there is little reason for them to be made public. One involved workers for the Costain/Taylor Woodrow joint venture at the Dubai dry dock project, who declared a strike for higher pay and better accommodation. Another concerned 200 Iranian dustmen in Dubai who briefly called a strike for higher pay but called it off on being given promises which in the event never materialised. A third involved workers at OTAC, the sewage treatment plant at Dubai, when 500 labourers stopped work demanding a rise from Dh 15 to Dh 25 a day, which meant parity with other Indian and Pakistani workers. The ringleaders were rounded up and deported.

Lesson

In Abu Dhabi, both at the federal and the Emirate level, there is now considerable questioning of the nature of the industrial society to the creation of which the UAE seemed only recently wholeheartedly committed. The murder of Mr. Seif Ghobash has forced the authorities to see that imported labour eventually means imported politics. The lesson may appear less stark in some of the other Emirates, where competition with Abu Dhabi and each other is more important and where the rulers may feel they have the immigrants under control, so opinions about the future vary. The government believes it has the security situation under control because it sees it as a monitoring task—tightening the borders to prevent terrorism. But more and more of its members are aware that the problem is a more complex development question—who is developing what sort of society for whom?

Mr. Saeed Ghobash, Federal Minister of Planning, maintains that the degree of dependence on foreign labour depends on investment policy. He points out "unskilled labour consumes more than it produces. You could extract a large population from the labour market and it would have no economic effect. They send money home but they do not spend." He also recognises that building factories has not reduced the problem of unemployment of poorer, unskilled UAE citizens, since labour is imported. The answer so far has been to concentrate on education in order to build the local human resources for the future.

The task of building a balanced modern industrial society in UAE it seems would be impossible without major changes in attitudes to the labour force. Even when the local population acquires the skill and education to run the machine there won't be enough nationals for the job. A balanced society requires integration of the labour force, politically, economically and socially. This would only be possible with a loss of identity which until now is quite unacceptable to the local population.

M.T.

TRADE

Declining surplus

THE UAE's balance of payments has never been much of a topic for discussion in the Federation. With a positive trade balance of $5.7bn last year, about the same as in 1974, there would appear to be nothing to discuss. However, figures newly collated and recently published by the UAE Currency Board show that the overall balance of payments surplus of $2bn in 1976 has declined to $378m for 1977.

As the UAE is a considerable oil exporter, producing about 6 per cent of OPEC's oil, small increases in the per barrel price have compensated for the massive increase in imports since 1974, from $1.7bn to $4.3bn last year. Oil income in the same period has risen from $7bn to $9bn, thus producing the comfortable trade balance.

But fast increasing cash outflows on current account — "invisible" imports such as services, some private sector capital transfers, remittances by the half million or so immigrants, etc.— brought the current account surplus to less than half the trade surplus in 1977, a figure of $2.5bn, and a drop of nearly $1bn. This is still a comfortable margin, but the trade is towards a reduced surplus, and this year's cut in Abu Dhabi's oil production could accentuate it.

Nor was 1977 a year of unusual activity in any of the other foreign exchange consuming activities. Although imports were up to $4.3bn from the $3.4bn of 1976, a similar billion dollar increase was recorded in 1975 over 1974. (1976 itself, in import terms, was rather a disrupted year as the UAE's ports were so congested that it took months to deliver cargoes).

Moreover the level of capital payments in 1977 ($2.2bn) was not wholly exceptional; the figure was as high as $1.6bn in 1974. Abu Dhabi is generous, and it is also a large-scale investor, both in the western world and in regional Arab organisations. While the current account balance indicates the cost in foreign exchange of maintaining an economy such as that of the UAE, the capital account shows the limited degree to which oil revenue surplus states can employ their funds at home, and reflects the aid payments which are to some extent incumbent upon such states.

Surplus

For the Emirate of Abu Dhabi itself, the balance of payments picture shows a comfortable surplus of around $4.8bn for the first three quarters of last year. (Later figures for the Emirate were not available in time for inclusion in the Currency Board's latest quarterly report.) Even if Abu Dhabi's generous aid disbursements, which account for most of the money given or lent by the UAE, were subtracted, it would leave a balance of $3bn or thereabouts over imports of around $886m for the first three quarters of 1977. Abu Dhabi itself is only directly responsible for about a third of the UAE's total import bill.

The Abu Dhabi picture is distorted by the fact that an unquantified proportion of its imports come into the UAE via Dubai, the main port of the federation.

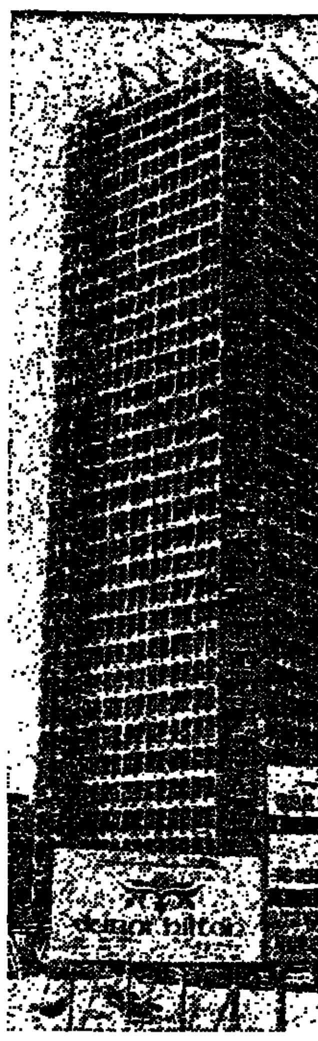
UAE BALANCE OF PAYMENTS*

($m)

	1974	1975	1976	1977
Merchandise Trade				
Oil exports	+7,089.6	+6,902.8	+8,413.1	+ 9,155.9
Abu Dhabi	+6,071.1	+5,823.9	+6,976.5	+ 7,669.0
Dubai	+ 968.0	+ 999.7	+1,354.3	+ 1,422.2
Sharjah	+ 50.5	+ 79.1	+ 82.2	+ 64.7
Gas exports	—	—	—	+ 33.5
Other exports, re-export fob	+ 440.7	+ 465.9	+ 645.4	+ 905.9
Total exports, re-exports fob	+7,530.4	+7,368.8	+9,052.5	+10,095.4
Imports cif	−1,739.7	−2,724.5	−3,389.2	− 4,368.8
Trade balance	+5,790.7	+4,644.3	+5,669.3	+ 5,726.5
Other current account	−2,150.5	− 1,731.7	−2,185.8	− 3,219.3
Current account balance	+3,640.2	+2,912.6	+3,483.5	+ 2,507.2
Capital and official transfers				
Official grants, loans	− 546.6	− 986.0	−1,030.1	− 1,046.6
Official borrowings	− 191.5	+ 52.5	+ 204.1	− 257.7
Official direct investment	− 261.3	− 61.3	− 250.3	− 103.1
Official direct participation	− 53.1	− 154.9	− 248.5	− 593.0
Oil sector	− 584.7	− 299.4	− 173.3	− 128.8
Capital account balance	−1,637.3	−1,419.3	−1,196.1	− 2,237.6
Overall surplus	2,002.8	1,493.3	2,287.4	377.8

* Dollar figures based on UAE Currency Board dirham estimates, November, 1977 Bulletin.

@ Dl 3.88=$1.00.



The Dubai International Trade and Exhibition Centre, the tallest building in the Middle East, is being constructed by Bernard Sunley at a cost of £109m. The complex, which was designed by John R. Harris and Partners, includes a 352 bedroom hotel, exhibition hall and 500 apartments.

Any attempt to draw up a meaningful trade balance for Dubai is difficult because of the fact that many of its imports are for other Emirates and because part of its trade is unrecorded, while the absence of accurate data makes the compilation of a balance of payments table almost impossible. Dubai's total import bill for the whole of 1977 came to just over $3bn. Against this should be set its recorded re-exports ($294m), its oil exports (estimated at $1.4bn) and its unrecorded re-exports, which probably make up about a third more than the recorded re-exports. These are made up of such items as gold, gold objects and, to an increasing extent, watches, electronic consumer goods, cameras and pharmaceuticals shipped illicitly to neighbouring states. Leaving this last item aside the Emirate would have a notional trade deficit of $1.5bn in 1977—nearly eight times larger than its deficit in 1974.

But it would be wrong to deduce from this that in the hypothetical case of the Emirate being a totally independent state it would suffer critical trade deficit problems. In that eventuality a considerable proportion of the Emirate's imports (that proportion which goes to other Emirates) would count as re-exports, or, if other Emirates chose not to buy through Dubai, the import figure would drop. But it is a mark of the interdependence of the Emirates that Dubai's traders take up two-thirds of all the bank credit extended in the UAE, which in November last year totalled about $4.7bn. Virtually half of all the money borrowed in Dubai is used to finance trade in some form or other. Thus Abu Dhabi's surplus foreign exchange is percolating down to Dubai where it pays for the imports coming through Port Rashid. Dependence on Abu Dhabi as a source of foreign exchange applies to the other Emirates to a greater or lesser degree and is a key factor in their interdependence.

When work on Abu Dhabi's industrialisation project at Ruwais gets seriously under way (albeit on a more limited scale than was originally planned), it is likely that most of the imports will go directly to it, thus cutting Dubai's role as the main port for the Emirates and possibly reducing the supply of foreign exchange from Abu Dhabi for the financing of imports through Dubai which are not directed towards Abu Dhabi.

As to the calculation of Dubai's payments situation, this is obscured by uncertainty about its invisible earnings from commerce, and about its invisible payments, though these must make up a fair proportion of the "Other current account" item in the UAE's balance of payments table, which amounts to $3.2bn. The question of the Ruler of Dubai's commercial borrowing (debt servicing costs now amount to about 30 per cent of oil exports) is, from the point of view of lenders to Dubai, largely a question of setting the Ruler's debt service costs against his oil and other revenue, and this is dealt with fully in the article on Dubai. It

Partner

The UAE's most important trading partner is Japan, which buys 26 per cent of the Federation's oil, is a significant partner in the Abu Dhabi oil industry and supplies over a fifth of the Federation's imports. Japan's exports to Dubai alone were valued at $654m at the end of 1977, while exports to the whole UAE were $610m in 1976. The depreciation of the dollar during 1977, the currency in which oil is priced, and the steady rise in the yen contributed their mite to the erosion of the surplus.

The UK's share of the UAE market (that which is imported through Abu Dhabi and Dubai) has gradually shrunk since 1970, when it made up 26.3 per cent, to about 15 per cent in 1977. Naturally, of course, the value of British exports to the UAE has risen enormously, reaching £455m in 1977, compared with £32m in 1970. Britain is in a respectable second place among the UAE's suppliers, followed by the U.S. (with about 10 per cent of the market) and then Italy and France. Despite the coming on stream of North Sea oil British imports from the UAE rose from 200m in 1976 to £259m in 1977.

D.T.

SOCIAL WELFARE

Painful readjustment

IT IS not an uncommon sight to see a gleaming new Mercedes outside a simple house in a UAE village—with the owner's goats clambering all over it. While the UAE's wealth has percolated down in some form to the poorest citizen, it is going to be a few more years before many adjust to the new life. The complete social upheaval of the last ten years or so is something no nation could absorb without some painful readjustments. It is perhaps remarkable that the country has been able to absorb so many changes in such a short time.

UAE nationals receive free medicine, housing and education and if they feel they have a personal grievance they are always free to visit the Ruler at his daily majlis to air their complaints.

Generally it is the federal Ministry of Social Affairs which deals with welfare cases, making payments to certain categories of citizens, including widows, divorced or deserted women, orphans and illegitimate children. A family may receive up to DR 1,600 ($400) a month in social security payments, and according to official statistics about three per cent of the population receive such allowances.

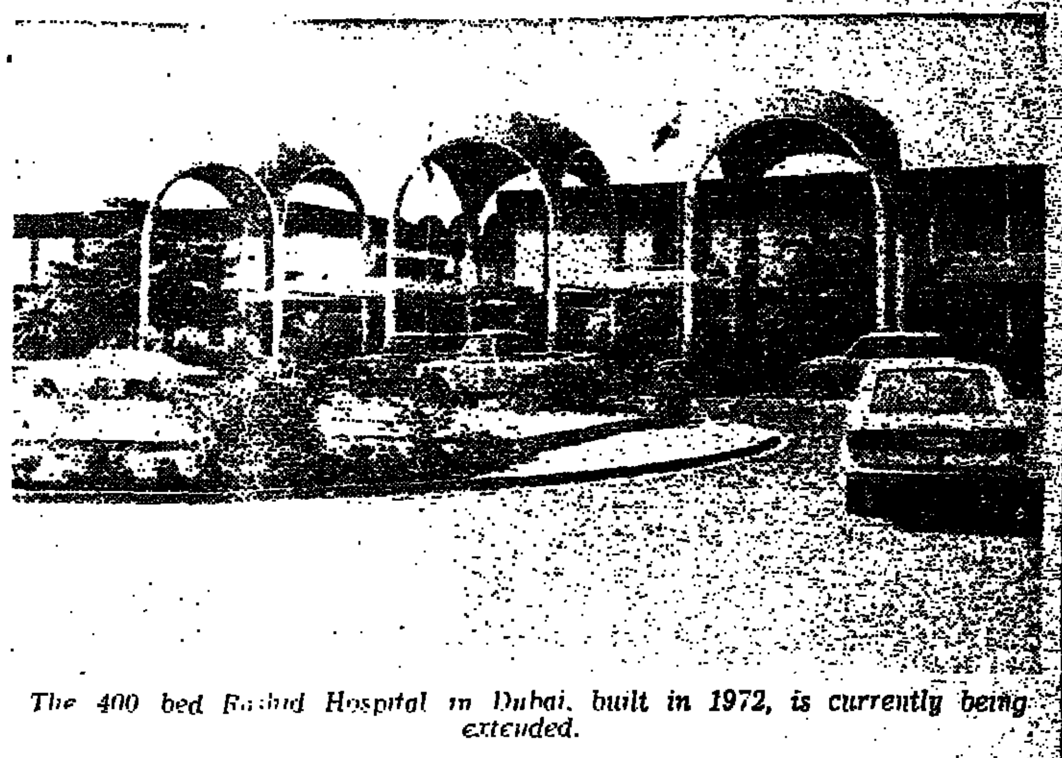
Much of the administration in the social services department, as in other government ministries, is undertaken by non-nationals because there are not enough locals who are able or willing to take such jobs. This, coupled with the large number of western expatriates who have come into the country, has created social difficulties for the poorer Arabs. Not only do they have to deal with a new way of life imported by the foreigners but they also have to turn to strangers for guidance.

In the last 10-15 years, new schools, roads, townships and hospitals have advanced into the traditional desert existence, forcing even the most confirmed bedou to adopt new life styles.

A major drive has been made to encourage the Bedou tribesmen to give up their nomadic existence and settle in townships, giving the growing generation the benefits of stability, education and medical care.

The Federal budget last year allocated Dh 570m ($144m) for housing, through the Ministry of Public Works, and the most concerted attempts at a rehousing policy have been made in Abu Dhabi and Al Ain. Poor families are not only rehoused but are provided with free services including water and electricity and financial help to buy furniture and other household goods.

While low income housing, usually in one- or two-storey concrete blocks, is provided free for those in need, encouragement is also given for self-help. Interest-free loans with long repayment terms are given to government employees to build their own homes, and land is also given for self-build schemes with few restrictions on site and style of house. In addition to Federal plans individual Emirates have their own plans for low income housing and also make periodic attempts to demolish shanty towns on the edge of towns and provide something more permanent than just corrugated iron and barasti.



The 400 bed Rashid Hospital in Dubai, built in 1972, is currently being extended.

Difficult

However, a house and cash are not going to turn a bedou tribesman into a modern citizen overnight and careful help by social workers is needed to help families adjust. This can be difficult, as barriers of suspicion take a long time to break down and many families resent what they see as prying by outsiders, a problem made worse by the fact that many social workers are foreigners.

There is another difficulty for social workers visiting these shanty towns: that of locating the right house, as there are no addresses, road layout or recognisable landmarks. The mass of barasti huts can contain any number of people and animals, and keeping a check on them is almost impossible.

Health visitors trying to keep in contact after a patient has been to a clinic or hospital frequently encounter such difficulties. Even when they manage to locate the house they may well be refused entry by the suspicious family.

However, in general medical treatment in the UAE is one of the relative success stories of the country, and traditional fears are gradually being overcome as trust between doctor and patient is built up. About Dh 350m ($87m) was allocated for health this year in the federal budget, and the eventual aim is to bring the ratio of doctors to patients to one to 1,000.

In Abu Dhabi there will be a total of 14 hospitals at the end of the year when two new 320 bed units open. Most are staffed by British and Asians as well as foreign Arab staff, although it is becoming more difficult to find suitable staff. Recently the Director of Overseas Health of a major hospital management company warned that if the present rate of hospital building in developing countries, especially the oil states, continued, in five years the entire spare resources of the western world would be exhausted. However, the UAE Health Minister Abdul Kalim Jaffar scotched this suggestion, commenting: "Working abroad has always appealed to doctors and nurses. We can offer better salaries, and promotion and specialisation are often quicker."

Certainly there is no lack of hospital expansion in the UAE. In Abu Dhabi itself a 510-bed hospital is under construction in Mafraq, 40 km from Abu Dhabi. Work on the hospital, which will cost $58m, started last October, and it should be finished by October, 1979. The majority of patients will come from 5,000 new villas—a township on the Abu Dhabi-Al Ain road as well as from Abu Dhabi National Oil Company's new offices nearby.

In Sharjah the 100-bed Al Qasimi hospital, which opened over a year ago, has overcome the majority of its teething troubles, which stemmed mainly from overcrowding. Allied Medical Group, which manages it, is seeking compensation for the extra cost of dealing with two and a half times the number of outpatients planned for. A total of 130,000 were seen in the first year and it is now planned to extend the hospital with a further 20 beds.

Dubai retains control of its own medical facilities outside the federal network. Both hospitals, the Rashid and Al Maktoum, are in the process of being extended at a cost of over $100m and a new 638-bed hospital is being built. A modern central services complex was finished this year, capable of catering for an expected population of 400,000 in 1980.

Celia May

EDUCATION

Heavy spending

THE UAE university at Al Ain, which opened last year, crowns an education system built from virtually nothing in less than 20 years. The university is now to open an engineering faculty which is an important step to keep pace with the growing technological needs of the country.

Education officials from the Minister downwards are proud of the university, which has meant that students now no longer have to go abroad for further education. When it opened last September 300 students were expected to enrol, but in fact 500 arrived on the first day. Many of them were girls who would almost certainly never have had the opportunity of continuing higher education abroad. In addition to giving them education the university has opened the door to emancipation.

However, a university is of little use unless it is supported by effective schooling lower down the scale, and the UAE is making a determined effort to raise standards all round.

An increasing slice of the budget is now being spent on education. In 1972 only Dh 62.5m was spent, while the current figure is Dh 550m. Development allocations have also risen dramatically, from Dh 14.2m in 1973 to Dh 309m in 1976. And this year the Ministry of Public Works set up a special committee to look for sites for 110 new schools which it is planned to build at a cost of more than Dh 880m.

Indeed, for the construction industry, building schools is an important growth area, and there are often over 30 companies tendering for every new school.

There are now 185 schools in the UAE, the majority in major urban areas but increasingly in the more remote northern regions. Formal education has been compulsory since 1971, although there are still youngsters between six and 12 who do not receive education. They are generally from those sparsely populated areas where there are no schools, and parents are often suspicious of boarding facilities. This is one reason why such determined attempts have been made to settle the bedouin. If families are still leading a nomadic existence there is small chance of getting their children into school.

Incentive

Cash grants of up to DH 160 a month for a secondary school pupil give parents added incentive to send their children to school. However, there is no real system of insepction or enforcement, so if a father is determined to keep his child at home there is not much the authorities can do—if they ever find out in the first place.

Some older UAE nationals still prefer to bring their sons intol he family business at 13, believing that he learns more in the world of commerce than from reading books. However, the total student population has more than quadrupled in the last seven years. Official figures show that 97,000 children are at schools, compared with 24,000 in 1970, and this does not include those at private schools. There are also 300 students studying abroad and 15,000 in adult teaching centres.

Schooling is provided in three stages: primary, for children from six to 12; preparatory from 12 to 15; and secondary from 15 to 18. Primary education is compulsory and the teaching of English as a second language begins in the third year when pupils are aged nine.

There are now two primary school teaching training colleges in Dubai and Sharjah, and Dubai also has a commercial and industrial college, while an agricultural institute has been established in Ras al Khaimah.

An Ain University, which has a curriculum based on the American college system, should help to give nationals the necessary skills to run their increasingly technical country, but it will be necessary to send students abroad for further education for many more years yet. However, encouraging youngsters to take the right sort of subjects and then seeing them through to graduation is vital if the country is ever to reap the rewards of its investment. Engineering, medicine and commercial studies are the most widely read subjects, and in addition to undergraduates studying abroad there is a continual flow of working professionals to Europe and the U.S. for specialist courses.

Dubai police force is a good example of this trend. Large numbers of local officers have studied at Hendon College in the UK and specialists, in the criminal investigation and

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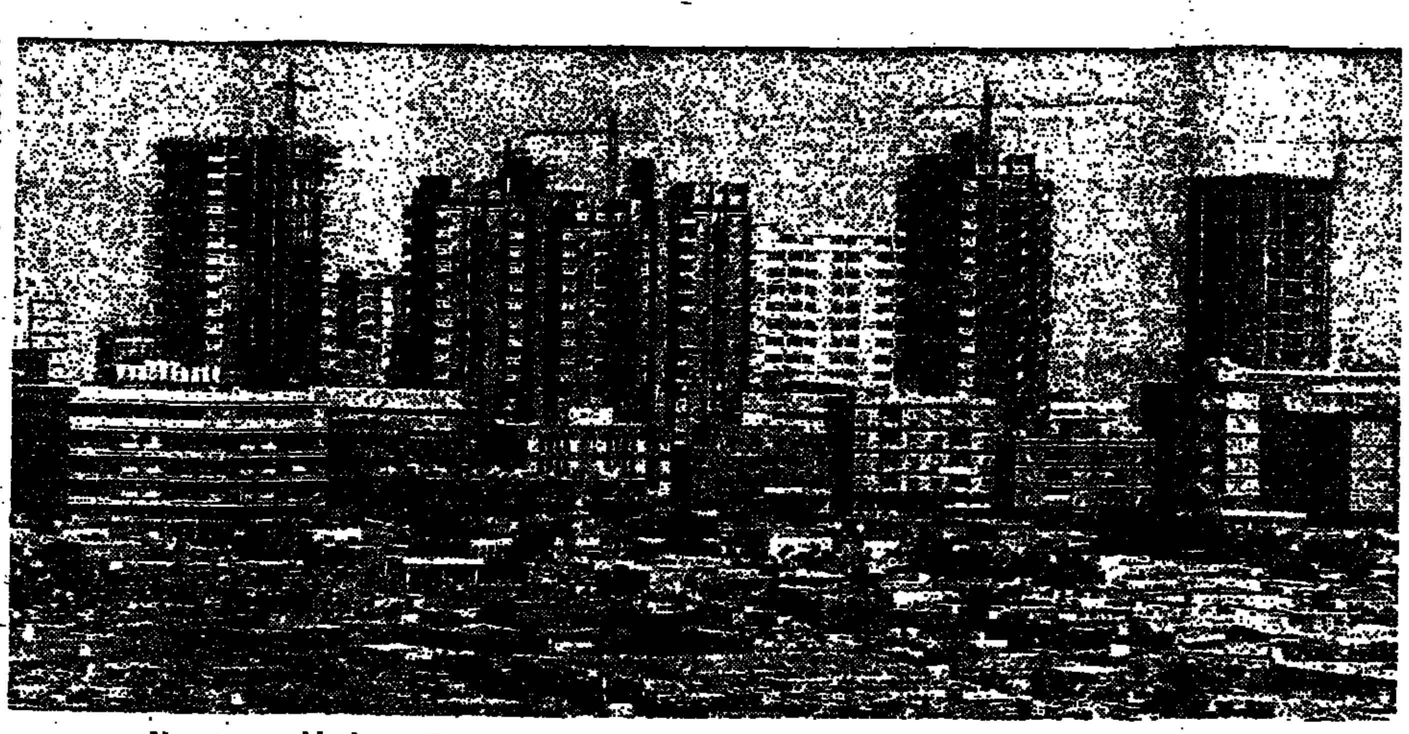
HOUSING

Property boom collapses

THE UAE's feverish property boom is over. There is now overcapacity in some sectors of the market, rents have begun to fall and the tenant is at last getting a better deal.

The effects are most obvious in Sharjah, where there is an almost embarrassing number of empty buildings, but Abu Dhabi has been affected and so, to a slightly lesser extent, has Dubai. Yet in all three centres building work on apartment buildings and offices is going ahead, putting more and more property on to the market.

Easily available credit, spare cash and the self-generating effects of a boom led to fantastic growth of property building—in the years following the 1973-74 oil price rise. It was not difficult for many UAE nationals to obtain title to some land and to get a bank loan to build on it. The result was that last year an unfurnished villa in Jumairah, the most fashionable suburb of Dubai, could cost up to Dh 140,000 ($35,000) a year, while a flat in Abu Dhabi could cost around Dh 80,000 ($20,000).



New towers blocks on Zayed the Second Street in Abu Dhabi dwarf immigrant dwellings.

What is more landlords would provide nothing, often not even air conditioning units, and they would also demand rent in advance. It was not unknown for companies to pay five years rent in advance, although it was more usually two years. Moreover if the ceiling fell in or rain gushed through the roof during the winter the landlord would as likely as not say it was the tenants' problem. Most companies had to foot the bill for interior decorating and all other extras.

The boom collapsed last summer partly because it was gradually realised that the market was becoming oversupplied and partly because the credit restrictions imposed by the UAE Currency Board last May sharply curbed economic growth. With buildings still coming on to the market rents stabilised and in some cases dropped, so that landlords who had hoped to make a fast return on their investment were disillusioned. Because of the oversupply of property landlords realised that they would have to provide maintenance and services if they were to keep their tenants from moving out to more desirable property.

The result is that the more recently completed buildings are of a better standard, while the older ones are in many cases being upgraded. The tenant may not in every case be paying a lower rent but he is getting more for his money, and the landlord is making a smaller profit (and he cannot usually obtain rent in advance). Property is being advertised for the first time and may even be let on a daily basis. A demand has arisen not just for small-time maintenance men and jobbing builders but for professional advisers on property letting and servicing. The British company Cluttons has a growing business both in Dubai and Abu Dhabi in surveying, valuing and advising companies on finding accommodation for their staff, and claims to have introduced to the UAE the concept of the service charge in blocks of apartments.

Both in Dubai and Abu Dhabi supply is still tight at the top end of the market — the villas in Jumairah in Dubai, for example — and as European expatriates upgrade their accommodation so Asian and other expatriates move into the less lavish houses and flats which they have vacated. Villas in Jumairah are still going for more than Dh 100,000 a year in some cases, but the greatest demand is in the Dh 80,000 to Dh 90,000 bracket. Two bedroomed flats in Deira can be rented for about Dh 50,000, but there has been a tendency to move away from the city centre, which is beginning to suffer the western malaise of parking problems and traffic jams.

Both in Abu Dhabi and Dubai the new accommodation is still being completed or under construction, but provided it is of sufficient quality it should eventually be occupied. There are thought to be around 1,000 empty flats in Abu Dhabi, and by the end of the year a further 500 will become available as new buildings are completed. Typical rents in the capital are around Dh 50,000 ($12,000) for well finished apartments plus another Dh 5,000 ($1,200) for central air conditioning.

In Abu Dhabi the arrival of numerous Frenchmen to work on the CFP contract for the development of the Upper Zakum oilfield, the completion in the near future of two new hospitals and the growth in population associated with the developments at Ruwais (even though this has been scaled down) should keep demand reasonably steady.

Expansion

In Dubai some construction projects are running down—notably the dry dock and the Port Rashid extension—but there is considerable expansion at Jebel Ali and elsewhere in the construction sector, while the management of projects now under construction will create a demand for accommodation just as it is being vacated by people connected with construction.

Apart from the relative drop in demand there have been specific moves to reduce rents both in Abu Dhabi and Dubai. In Abu Dhabi, the Government forced landlords to reduce rents for Government employees by one fifth, imposing a Dh 50,000 ($12,000) maximum year the Government's total housing bill was DH 51m rent for civil servants. Last ($23m). Their action has had some effect on the rest of the market but not as much as might have been expected, although there have been other beneficial results such as higher standards of maintenance.

Rents tend to be determined on size of property and number of bedrooms, not necessarily by demand. There is a suspicion in both Dubai and Abu Dhabi that landlords have formed a kind of unofficial cartel to keep rents up. Provided they all keep their nerve it may well work since foreigners are unable to own any land or property.

The situation in Dubai differs from Abu Dhabi in that there have been no direct Government controls. But the Ruler of Dubai, Sheikh Rashid bin Saed Al Maktoum, tries to hold rents steady by building low-cost flats and villas in the Dh 16,000 ($4,000) area but few other landlords take the hint, preferring to aim for the top end of the housing market.

In Sharjah the property glut has reached acute proportions and rents have plummeted. It is now possible to move into a flat for as little as Dh 12,000 ($3,000). However low rents may fall there are still people who are nervous to move from Dubai to Sharjah. Last year the Emirate suffered regular power cuts, leaving homes without air conditioning for up to eight miserable sweaty hours a day. It is something people do not easily forget when temperatures peak at 120°F in the summer.

However, Sharjah is a business centre in its own right, and many people prefer its atmosphere to that of Dubai, which is busier and more developed. There are also those for whom price is the major criterion who are forced to put up with the twin agonies of power cuts and the highly dangerous Dubai-Sharjah Road.

A glance up at the curtain-less windows in many of the new blocks of flats which have been built in Sharjah in the last 12 months is a reminder of the embarrassments some landlords are facing with their bank managers.

Despite the wealth of the UAE there are still numerous shanty towns, basically occupied by Asian manual workers and poor foreign Arabs. Their presence embarrasses governments and there have been attempts to clear them and provide low cost housing, especially in Sharjah and Abu Dhabi. Thousands of low cost homes have been built and given away to UAE nationals who are also given furniture, free electricity and free water. Other local nationals are given plots of land to build their own houses.

Budget

The Ministry of Public Works announced a budget of Dh 577m for housing this year, considerably more than the Dh 325m earmarked for 1976 when a target of 2,700 homes was set.

Individual Emirates also take some responsibility for building low cost homes. Abu Dhabi, for instance, budgeted a total of Dh 111m in 1975 compared with Dh 51.4m the year before. Even before oil prices were raised Abu Dhabi was spending 8 per cent of its budget on housing.

This has now fallen in proportion to income, partly because housing is now shared between local and federal government. While announcements are made regularly about the number of homes to be built in any year it is difficult to check on whether the target is actually reached, but it is probably only in Abu Dhabi, where the money has been regularly available, that projected figures have been attained. A scheme is underway in Abu Dhabi and Al Ain to build 5,000 homes while Sharjah's plans to build several thousand low cost homes for teachers foundered through lack of funds.

The problem of the shanty towns and labourers' camps is a thorny one since in general they are not occupied by nationals. However, as a source of disease and threat of fire such barasti townships present an obvious hazard, but so far there has been little real attempt to do anything about them.

C.M.

EDUCATION

CONTINUED FROM PREVIOUS PAGE

drugs department frequently attend courses in the UK.

All students studying overseas are sponsored by the Ministry of Education and given monthly grants, as well as reimbursement for fees, books and clothing expenses.

For older citizens who missed out on education when they were young, there is increasing opportunity for adult education. Classes for citizens unable to read and write are held regularly, and there are now over 100 centres attended by over 10,000 people.

The British Council, which has branches in both Abu Dhabi, and Dubai, plays an important role here in teaching English to adults, foreigners and Arabs alike. The classes are extremely popular, so much so that the British Council in Dubai decided to close the hall to public functions such as locally produced amateur dramatics in order to give more time for its prime role of teaching.

The majority of teachers in local schools are foreign and as yet there are few who are UAE citizens. This will change as their own teacher training colleges and those abroad turn out more teachers. Federal schools are still overcrowded and tend towards a traditional approach to learning. Problems are further encountered by the multilingual nature of UAE society and language problems can arise. Arabic is the first language, but not all schoolchildren are Arabs by birth, so they have to master the language before teaching can begin. However, as so often happens in a developing country, the children rapidly become better educated than their parents. It is not uncommon in shops to see a youngster translating English signs for his mother.

Languages

Language difficulties have prompted the opening of private schools teaching in a variety of languages, including Urdu, English, German, French, etc. Most nationalities have established their own schools, but in general fees are high, and, particularly in the case of Pakistani and Indian schools, pressure for places results in overcrowding and fierce competition. Private schools attract local pupils as well as foreigners. Dubai has a very successful bilingual Arabic and English school which takes all nationalities and follows an English system. The child spends part of the day learning in one language and part in the other—an experiment which seems to work very well.

Dubai recently announced that it will open a new international school based on the British education system and taking children up to "O" and ultimately "A" level. It will start with temporary classrooms and approximately 80 children, but by January should move into a new purpose-built complex. It will be the first time in Dubai that a school has offered a totally British style of education for children above 11. Annual fees of Dh7,000 and a debenture of Dh30,000 show, however, that private education is costly.

C.M.

CONSTRUCTION

Development at a peak

LAST MONTH the biggest ship ever to dock at Dubai's Port Rashid, the 37,404-ton Osaka-registered Sun Dragon, came in bearing 44,000 tons of bagged cement: Dubai bankers have been reporting a recurrence of what has been called the "Dubai disease" whose primary symptom is a rush by every second souk trader to open a letter of credit in favour of some far-flung cement supplier.

Though this raises memories of the speculative over-ordering of cement which ended in a crash less than two years ago, the fact is that—despite what social gossip would have one believe—there is still a construction boom in the UAE. Private sector building is rapidly dying down after last year's recession, but both Dubai and Abu Dhabi are likely to spend record amounts on development this year, while the implementation of the federal budget is constantly rising. The total value of firm contracts in the northern Emirates alone is more than £3.6bn, and Abu Dhabi is proposing to spend nearly £3bn on development during the next three years.

Nevertheless development spending is likely to peak during the next two years and decline steeply thereafter. Few new contracts are being let, projects are reaching completion, there are few major infrastructure improvements envisaged for the future and governments are finding their expenditure is creeping up inexorably on their revenues.

Contrast

As in other fields of business activity in the UAE there is a sharp contrast between practices in Abu Dhabi and Dubai, while the other Emirates are less easy to categorise. At one time during the Gulf boom it seemed as though Sharjah would assume a strong and separate character, but the boom collapsed before the Emirate could complete its developments, and Sharjah now is characterised by as many unfinished buildings as on a Hollywood film set.

Of the two major Emirates, Dubai's construction scene is probably the most active at present. The industrial zone and port at Jebel Ali appear to be going ahead according to the original mammoth plan, and Shaikh Rashid, the Ruler of Dubai, his close relations and other prominent businessmen are still interested in private sector property development. But the conditions under which contractors now have to operate in Dubai are gradually changing. There is a conspicuous lack of new projects of Jebel Ali size, or even of large-scale residential developments, and the bidding for the work available in Dubai has become more intense.

The authorities and private clients in Dubai used to follow the international FIDIC standard contract terms but this is now changing. Some of the terms of an internationally known FIDIC contract are being strengthened in order to protect the client because the client is tending to select the cheaper, but less experienced, contractors. The clients are demanding stiffer terms on performance bonds, for example, because they are choosing contractors whose lack of experience is quite likely to lead to problems, not least the underestimation of the costs and difficulties of construction in the Gulf. Dubai clients, as with others in Gulf states, are only slowly learning that, in construction terms at least, cost and competence are directly related.

At present bid bonds in Dubai stand at 5 per cent of the contract value and performance bonds vary between 10-15 per cent, depending on the contractor. The size of current projects is causing problems for some contractors because of the commensurate size of the performance bonds that have to be raised. Different treatments of these bonds by accounting standards in various countries add to the complications. Fortunately, so far, no bond in Dubai has yet been called.

A noticeable contrast between the Abu Dhabi and Dubai construction markets is the relative absence of international contractors in Abu Dhabi, particularly British ones. Bernard Sunley is a prominent exception to the rule, but the other contractors are mostly well known regional firms or local joint ventures. Abu Dhabi is considered to be a more difficult market in both the private and the public sectors than Dubai. Dubai has always had a more open approach to commercial matters and has not been so protective towards its own nationals.

In Abu Dhabi, for example, foreign contractors have to hire 60 per cent of their transport from locals. A noticeable feature of the Dubai construction scene is the dominance of the Halcrow civil engineering consultancy either as Sir William Halcrow and Partners or as Halcrow Middle East. Among other projects the consultancy is advising the Government of Dubai on two of its biggest projects, the 74-berth Jebel Ali port and the drydock yard.

The drydock construction contract (expected to cost about £250m) is rapidly nearing completion according to the contractors, a joint venture of Costain and Taylor Woodrow International, and should be finished to plan in February, 1979. Visiting the site is a strange experience as one remembers that as yet there is no management to take over the spanking new yard with its bright yellow polythene wrapped machinery: a slightly strange experience for the contractors also, not to have the client breathing down their necks asking when they will be off the site.

The port of Jebel Ali is also in a somewhat unreal situation. There has been talk of scaling down the project, but Shaikh Rashid still appears determined to stick to the original plan for 74 deep-water berths. The cost was originally estimated to be around £400m but this is now being revised upwards. The plan is that the port will be used by the industry in its immediate hinterland, but so far the only industries definitely to set up at Jebel Ali include Dubai's aluminium smelter, the gas processing plant, a cable factory, an aluminium extrusions plant and a structural steel plant.

The gas plant is scheduled to be completed at the end of this year and its major customer for natural gas, the aluminium smelter, should be completed by autumn 1979. Most of the contractors for the aluminium plant are British, including British Smelter Constructions for the design and building of the plant, Hawker Siddeley for the power supply and John Brown for turbines for the Weir Westgarth desalination plant. But as Abu Dhabi has found with its LNG plant on Das Island (and Qatar with its natural gas liquids plant at Umm Said) there are more problems in building process plant in the Gulf States than elsewhere in the industrialising world.

Most residents of the UAE believe that there will be a continuing demand for high-quality office and residential accommodation, so this area of construction activity is likely to keep ticking over. But many of the UAE's private clients are finding that they cannot fund their more ambitious projects and a number are raising syndicated loans. Sheikh Mohammed bin Khalifa al Maktoum, for example, is aiming to borrow $16m for the Deira Bazaar shop and flat complex and Abdul Wahab Galadari $50m for his Corniche project comprising an hotel, offices, shops, revolving restaurant and other amenities. In Abu Dhabi Shaikh Suroor bin Mohammed al Nahayyan has borrowed $19m for his trade centre and Abdul Jalil al Fahim and Sons have raised $17m for the Holiday Inn hotel.

Obtaining contracts in Abu Dhabi is, according to contractors, a more difficult and lengthy process than in Dubai. The private sector, with the exception of prestige projects, tends to buy the cheapest and to be suspicious of newcomers. The bureaucracy of the public sector and the high level at which decisions are taken often leads to long delays in awarding contracts. Government contracts in Abu Dhabi are virtually always fixed price lump-sum contracts and many of the civil servants are highly suspicious of contractors' motives, suspecting padding at every possible point in a contract.

In Abu Dhabi public sector projects normally go out to open tender (resulting in 47 documents being issued for the Fujairah harbour project, for example), though some of the larger projects are restricted to a smallish list of pre-qualified contractors. When the short-list gets down to a small number of contractors the real haggling begins, and in the past the Abu Dhabi Government has been able to take advantage of contractors' need for work. However, its insistence on price as the dominant yardstick for judging a bid has kept many of the international contractors away.

Difficulties

Delays and difficulties with some projects have led the Abu Dhabi Government to invent a short cut system, especially for socially desirable projects. A number of these projects have been negotiated through the Amiri court and its chairman, Shaikh Suroor, who is empowered to sign contracts himself. Contracts handled through the Amiri court tend to package jobs, with a limited number of contractors invited to present their design and construction bids. These are evaluated by consultants Sir Alexander Gibb and Partners (whose relationship with the Abu Dhabi government is similar to that of Halcrow and the Ruler of Dubai) who then supervise the contract.

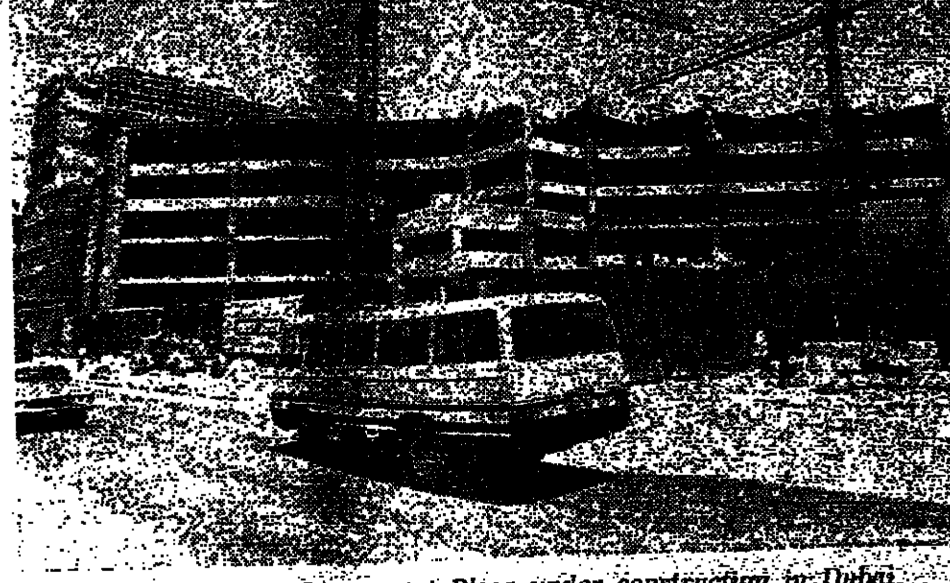
Tender bonds in Abu Dhabi are a firm 5 per cent of the contract (valid for 90 days) and performance bonds are 10 per cent, callable upon demand, though as yet none have been called. There is a trend among some consultants working in Abu Dhabi to try to set an absolute figure for the tender bonds so that the more enterprising contractors do not make a tour of friendly bankers to discover the bid range. A recent Government contract did specify FIDIC conditions which local consultants think may be the beginning of a breakthrough towards universally accepted standards of tendering and awarding contracts.

Because of the greater density of bureaucracy in Abu Dhabi, and the higher levels at which decisions are taken, it has a reputation for being a slower payer than Dubai, though payments do eventually get through. (The Dubai Electricity Company was declared by one enthusiastic contractor to be an "immaculate" client.) When the economic slowdown reached the Emirates at the beginning of last year many private clients also became notoriously slow payers. Although there have been no really large bankruptcies among the contractors based in the UAE, it is known that one or two are so indebted to their banks that the banks cannot afford to bankrupt them.

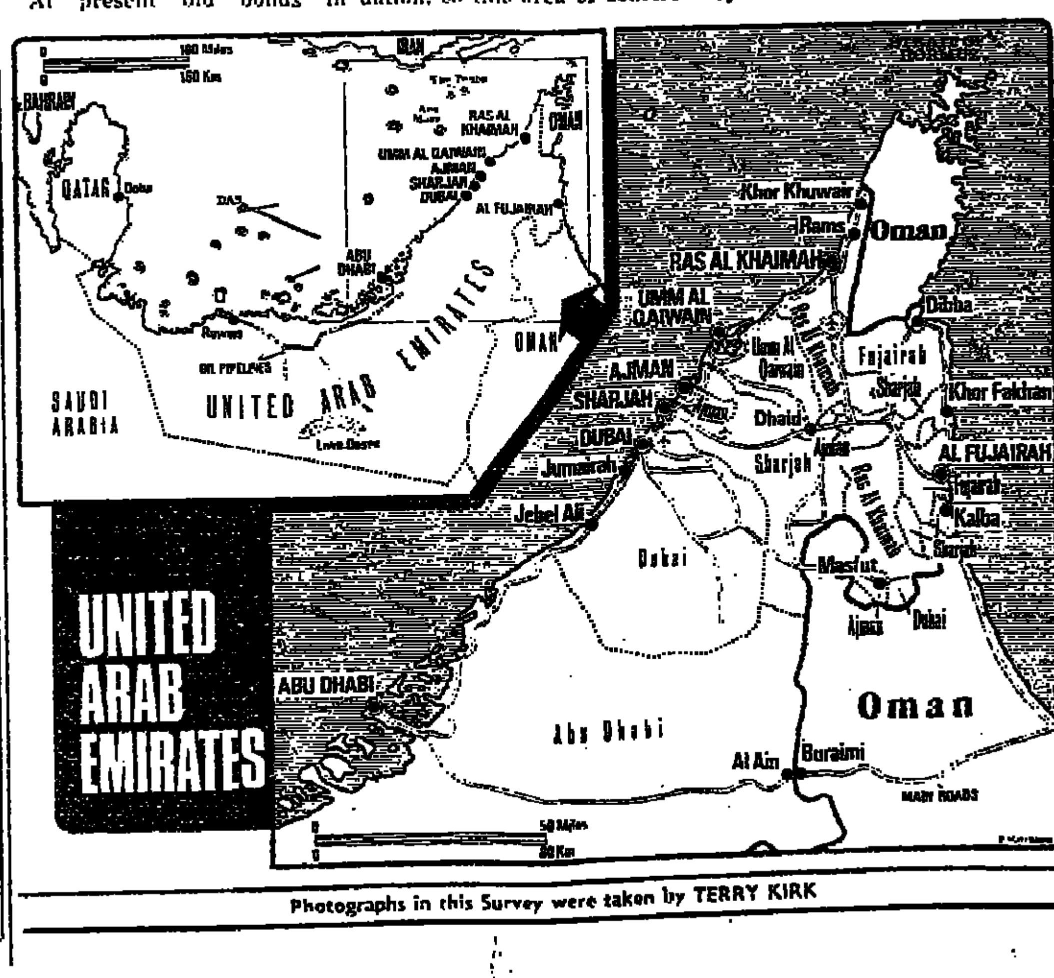
The most telling silent monuments to the private sector's overbuilding during the boom years of 1975-76 are to be found in Sharjah. Row upon row of partially occupied blocks of flats, a great number of unfinished buildings where poor quality blockwork is already beginning to crumble, elegant but very empty hotels—parts of Sharjah are like a ghost-town that was never inhabited in the first place. The Sharjah Government itself (as opposed to its private sector) has won some admiration by its firm cutting back on spending as the slowdown became more severe.

Some of those buildings in Sharjah may be finished, and of these some at least will be occupied if business picks up again. Certainly the increase in cement imports and the slight increase in letters of credit opened, particularly in Dubai, indicate that business confidence may be picking up. But local observers feel that the heady two years immediately after the oil price rise are unlikely to be repeated. There will be more construction projects, and contractors (skilful ones) will still be able to make money in the UAE. Newcomers, however, are advised to go into joint ventures with an active local partner. "Lack of local knowledge can be very expensive" comments one respected consultant. The construction industry is the UAE (as elsewhere in the Gulf) has an additional function—it is through Government projects that oil wealth percolates down to the citizens.

D.T.



The Inter Continental Plaza under construction in Dubai



Photographs in this Survey were taken by TERRY KIRK

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Russia bids for warlike space lead

BY ROGER BOYES

THE SOVIET UNION'S latest Soyuz-Salyut space link-up is being watched with particular interest by Western experts who believe that Moscow may be about to take a crucial lead in some parts of the space race.

The current mission appears innocent enough: the two-man crew was transported last week to the Salyut-six orbital laboratory where, according to the Soviet press, the cosmonauts will process certain materials under gravity-free conditions, take photographs of the earth and carry out some routine tests. But space experts in London and Washington believe that the success, or otherwise, of the mission will show whether the Soviet Union has fully overcome the technical and psychological problems which until recently hampered its manned satellite missions.

The development of large orbital space stations—the ultimate goal of these link-ups—combined with Soviet expertise in the field of hunter-killer and radar surveillance satellites—would greatly advance Soviet capability in the military use of outer space. Talks in Helsinki between the U.S. and the Soviet Union, scheduled to end this week, have been aimed at working out tight controls over the deployment of killer satellites. A total ban on these unmanned vehicles is thought to be unlikely to emerge.

Earlier Soyuz missions have been plagued with docking problems. Landing techniques have been, at best, haphazard. One recent Soyuz vehicle splash-landed in a blizzard-swept Siberian lake, apparently several hundred miles off target. Another landed on the side of a mountain, almost inaccessible to rescue teams. The psychological difficulties caused by prolonged space flight have also caused some missions to be called off prematurely. The last link-up, however, went off smoothly, the Soyuz-26 cosmonauts spending a record 96 days in space.

The success of the last mission was particularly significant from the military point of view. Western space experts believe that Delta, the automatic navigation system tested by the cosmonauts, will be applied to a Soviet space shuttle system currently being developed at the Central Institute of Aero-hydrodynamics (ISAGI) near Moscow. The computer control of the space shuttle vehicle—dubbed the "spaceplane" in the West—may be similar to systems used in the Soyuz.

Spaceplanes have already been released from Tupolev Tu-95 heavy bombers in glide tests. Orbital test missions are expected soon. The spaceplane would have a mainly reconnaissance role and is quite capable of flight over the U.S. and China, but it could also destroy U.S. satellites in orbit.

The U.S., too, is working on a type of spaceplane—a reusable space shuttle ship which, it is expected, will cut the cost of satellite launches—but it has played down the anti-satellite capability. This month it was revealed that the White House had ordered that all future U.S. satellites important to national security should be protected against anti-satellite weapons.

The U.S. is the moving force in the talks at Helsinki. "Washington," one space systems analyst said in London, "is way behind on satellite warfare and is scared that things will get out of hand."

Besides the spaceplane, plans for a network of large orbital space stations may substantially increase Soviet military potential in space. According to Western intelligence expectations, the Soviet Union plans during the 1980s to launch advanced space station modules, weighing between 75,000 and 100,000 lbs each, with the regular Soyuz space shots. These modules would then be put together by manned and automatic means to form a large space station complex, made up of medium-sized and larger components.

These complexes could then combine several reconnaissance functions—including the surveillance of missile silos on earth, early warning, navigation, mapping, communications and control—through directed photography. The scientific information gleaned could also have strategic value such as weather forecasting, for instance, or crop prediction.

Spinning wheel

One possible design for such a complex involves linking up and welding together station modules to form a wheel-shape. Additional modules would form the spokes of the wheel. When the station rotates, the cosmonauts working in the outer rim would be able to work under artificial gravity conditions, derived from the centrifugal force of the spinning wheel. There would, however, be a vacuum and zero gravity in other parts of the complex—hence the emphasis on weightlessness tests in the current Soyuz programme.

The Soviet President, Mr. Leonid Brezhnev, has described the projected network of such stations as "man's highway into outer space." The plan is to arrange the stations so as to accommodate both relay-type missions and extensive refuelling operations. The complex, so the Russians believe, could then act as a platform for lunar and interplanetary missions, apart from having military functions.

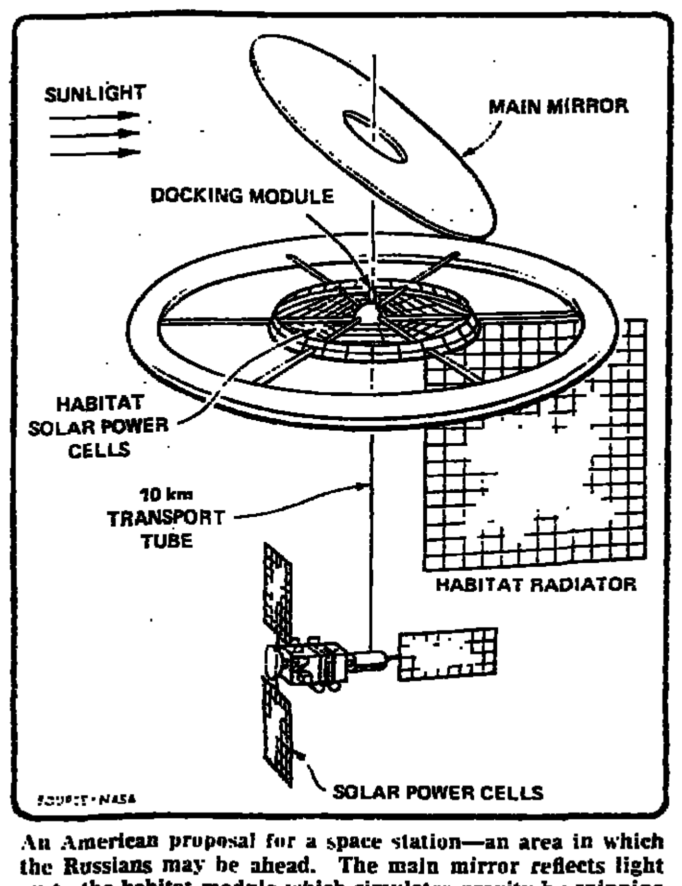
"Soviet space stations," a former space engineer says, "will play the same role in space that American aircraft carriers currently play on earth. Soviet hunter-killer satellites will play the same role in space that American fighters play on earth. The Soviets are well on their way to achieving superiority in space."

It is clear the U.S. is rapidly losing the dominant position in space exploration that it appeared to have achieved after the Apollo moon landing in 1969. The primary reason, of course, is financial: the Soviet Union, it is believed, spends three or four times more on space exploration than does the U.S.

The U.S. space programme secured huge budgetary allocations after the first shock of the Soviet Sputnik launch in 1957. The Sputnik, along with some other notable Russian "firsts"—first satellite to carry an animal, first photographs of the hidden side of the moon, first man in space, Yuri Gagarin and the first, and only, woman in space, Valentina Tereshkova — gave impetus to the U.S. programme.

The funding and main thrust of U.S. space research was concentrated on the "winnable" goal—that is a goal apparently out of reach of Soviet technology—of landing a man on the moon. In many ways it was a dead end. The U.S. did not have the hardware to follow through after Apollo, and the programme was dismantled. It was never really clear during this time whether the Soviet Union also intended to put a man on the moon. But whatever the Russians' lunar ambitions, it was unquestionably pursuing a comprehensive near-earth manned space programme.

The Russians gained valuable near-earth experience, set records for spaceflight missions of long duration, learned how to manoeuvre and carry out space flights, and focused much research on manned spacecraft and space stations. The design of the U.S. Apollo spacecraft by contrast is not readily adaptable to exploiting near-earth space for scientific or military purposes, though its Saturn V launcher was rebuilt as the Skylab research station in the early 1970s.



An American proposal for a space station—an area in which the Russians may be ahead. The main mirror reflects light on to the habitat module which simulates gravity by spinning in space. Surplus heat is dispersed from the radiator, energy provided by solar power cells installed at the end of a 10km connection. The main wheel of the design would be about 1,800 metres in diameter.

But the main Soviet lead over the U.S. at present is in the field of unmanned satellites—specifically radar scanner and hunter killer satellites. The growing role of ocean-scanning satellites received attention early this year when the nuclear-powered Cosmos 954 crashed in northern Canada.

The satellite was one of a series used to chart the movements of naval forces and merchant fleets. With the rapid expansion of the Soviet naval power such satellites are essential both tactically and strategically. They can report the position of enemy ships and estimate accurately the range of targets from Soviet submarines.

It is the hunter-killer satellites, however, that have caused the most concern in the West, primarily because their sole function is aggressive—to knock out orbiting U.S. reconnaissance and communications satellites, thus "blinding" the Americans during a possible nuclear war.

The Russians began testing their current generation of hunter-killers in 1976. Shortly before leaving the White House, President Ford ordered a U.S. programme to test and deploy a similar weapon. President Carter vetoed deployment, but allowed development to continue. The U.S. is debating two types of killer satellite, but progress is hampered by the Administration's uncertainty whether to push ahead with development or to seek a treaty banning the weapon altogether.

The Soviet Union has carried out several hunter-killer tests — all apparently successful. Last December, Cosmos 970 was launched into a low earth orbit, and then boosted another 600 miles to catch up with another Soviet satellite. After travelling alongside the target it moved slightly off course and blew it up.

According to the Stockholm International Peace Research Institute, the Soviet Union has been testing four types of interceptor satellite. They are the perigee matching satellite which catches its target at the lowest point of its orbit: the co-orbital satellite, which comes in on an orbit similar to that of the target: apogee matching satellite which by-passes its target at the highest point of its own orbit; and the so-called "pop-up" satellite which enters an orbit much lower than its target and is then boosted up to target level.

It is thought that at present these killer satellites could catch only certain U.S. vehicles, and that technologically many targets are still out of their reach. This leads to two lines of speculation: the hunter-killers could be simply a way of defending Soviet satellites against U.S. attempts to jam Russian surveillance; or Chinese satellites could be the main target.

Soviet satellites are often launched shortly after a new Chinese satellite has entered orbit, and the orbital paths of Soviet satellites are close to those of the Chinese. None the less Western space experts are working on the assumption that the bulk of the Soviet military space programme is aimed at the U.S. and that it is basically designed to fight and win wars.

Certainly the combination then of large orbital space stations, the "spaceplane," and of radar surveillance and hunter-killers adds up to a formidable Soviet space potential. Much of it is barely off the drawing board, although the unmanned satellites are in an extremely advanced stage of development. But a crucial advantage has been established.

President Carter, faced with the problem of controlling the arms race on earth, clearly does not want to become involved in a dangerous and costly arms race in outer space. Yet the current treaties outlawing nuclear weapons in space—assumed in 1967 to be sufficient to de-militarise space—are evidently lagging behind developments in military space technology.

Letters to the Editor

An unselfish Community

From the Chairman, London Europe Society

Sir,—Mr. Newton Jones (June [illegible]) takes the now customary line among anti-marketeers of blaming the European Community for the things he dislikes about the world we live in and the policies of our Government.

He is not the only one who likes protection, whether of the steel industry or of Western Europe's farmers. I do myself. But is he really going to follow through his arguments to their logical conclusion and say that large chunks of Western Europe's steel industry should be allowed to go out of business in the face of a world economic crisis and the undermining of the Community market by cut-price imports? Does he not see the social consequences of turning principles into dogma? Have we not have enough unemployment already? How, in a period when industrial confidence is lacking, would he ensure the re-employment of the additional numbers put out of work by his purist doctrines? It would be folly, for reasons of free-trade doctrine, to allow the disappearance of capacity that will be needed when the world economy recovers. The EEC has wisely taken the sensible measures we should have had to take ourselves if there had not been a Community foreign trade policy. We should be grateful to the EEC, through its great bargaining power in world trade, has so far been able to preserve substantially the liberal framework of its world trading system. It is only a small number of exceptional actions to safeguard industries (e.g., steel, textiles) under threat of massive closures. With regard to New Zealand, someone who, like me, has a special concern and affection for that country will want the British Government to ensure that it maintains its market for [illegible] in the UK. But the [illegible] that involves do not [illegible], for one, forget that the European Community not only is the most liberal trading system of all the world's major industrial areas, but is also by far the world's largest provider of aid to the developing countries and the biggest importer of their products; that it applied a generalised scheme of preference to their industrial products [illegible] any other countries; that [illegible] a massive provider of food aid and that it has a remarkable partnership with 52 developing countries—many of them among the world's poorest—under the Lomé Convention.

It is not for the best in the best of all possible worlds, but [illegible] the European Community of being a selfish, ultra-protectionist grouping is surely [illegible] of justice.

[illegible] Prag.
[illegible]ington Avenue, SE26.

Education vouchers

From Mr. M. Alton

Sir,—Joe Rogaly's article "The case for an experiment in parent power" (June 13) was the best [illegible] of the state of education in this country which I have read for some time. [illegible] only was it thought-provoking but it brought to the [illegible] the complete lack of ability of one child's parents to take [illegible] action to improve educational standards or to make an [illegible] protest against misuse [illegible] power. [illegible] biggest weakness in the article is its failure to comment on the lack of choice which will still face parents while our schools (really education factories) have such large numbers of pupils. The remedy is, of course, to provide a comprehensive education in schools of a much smaller size. A far stronger bond can then be forged between pupil and teacher and school and a far better identity of objective achieved.

Given a wider spread of this nature parents are likely to be able to make a real choice between schools of different standards and convenience.

Give our children this, and for us perhaps we shall have a glimpse of the education Utopia which we have all been promised for so long.

M. B. Alton.
27, Heath Road,
Potters Bar, Herts.

Windmill power

From Sir Henry Lawson-Tancred

Sir,—In view of David Fishlock's mention of my name and the picture he shows of my aerogenerator in his article entitled "The two pitfalls of windmill power" (June 16), I feel entitled to reply to some of his statements.

By inference he asserts that I have been involved in "heated debates" and see "almost no limits" to the use of windpower. Neither is true, as far as I am concerned.

It may seem strange that as a pioneer of the art in the UK at any rate—mine is the largest aerogenerator to be operational at the moment—I have always seen only a very limited scope for these appliances here in the UK. Why then did I undertake the considerable task of the design and construction of the Aldborough aerogenerator? What have I learnt from the experience? What are my views about the future of these machines?

The operative words are "here in the UK." The limiting factor in this country is in my view undoubtedly environmental. I am not satisfied that this problem can be overcome by off-shore siting. The cost is likely to be prohibitive. Overseas there are many countries which have good sites and where the environment issue does not arise and I think that many will have aerogenerators built on them. This country can not afford to be left out of this likely lucrative business.

I have learnt that it is indeed possible to use structural steel expertise in place of the aero-space expertise used by others—and achieve the same end result. The most vital parameter of all—cost—being the benefactor of the structural steel approach.

The aerogenerator must be regarded as a steel building not an aeroplane. Traditionally, everything made under the generic title "structural steelwork" has always shown the lowest cost per ton weight. Aerogenerators must not be an exception if they are to be commercially viable.

Experience has shown that noise is not going to be a problem. But it cannot be over emphasised how important the cost of the energy produced is going to be for the prospects of all sources of alternative energy.

Because of the variable nature of wind (and the same goes for wave and tidal power) no utility using wind power can reduce its requirement for conventional equipment to meet the load demand it is committed to provide because it has installed wind power capacity. Therefore depreciation and administration expenses are always going to be relevant and payable regardless of what percentage of generated electricity going into the network is derived from the wind.

The cost of energy produced from the wind per unit of energy, in the simplest terms, will be the interest on the capital cost (plus amortisation) divided by the number of units produced. This figure must not exceed the cost of fuel required to generate electricity for the system to be viable economically. Of course a great deal depends on what happens to oil prices

At this stage I cannot say whether a scaled-up arrangement of the Aldborough aerogenerator to the megawatt range and at a cost comparable to electricity is either possible or viable. I can see no problem with regards to making it strong enough, and none as to reliability. But it is very early days and hidden detrimental phenomena may well present themselves.

Henry Lawson-Tancred.
Aldborough Manor,
Boroughbridge, N. Yorks.

Non-executive directors

From the Managing Director, Ores International.

Sir, — With all the fascinating correspondence on the role of directors, two-tier boards, non-executive directors and worker-directors, I feel that my basic point has tended to become lost.

In brief, I contend that while main boards may — and do — recruit non-executive directors, since sub-companies have authority, responsibility and accountability as profit centres, it follows they should have, and employ the right to elect non-executive directors if they consider they will be cost effective in contributing to the company's objectives.

In this way one may optimise the employment of the brain power that is available in and in industry.

M. I. Webb-Bowen.
35-39, Maddox Street, W1.

Complexities of reinsurance

From the Chairman, Merrett Dixey Syndicates

Sir,—I hope that you will allow me the opportunity to comment on John Moore's interesting piece (June 22) offering some clarification on what is inevitably a very complicated dispute, and one where the discussion is made for the time being more difficult by some matters being "sub judice." There are a number of errors of fact, of varying degrees of importance.

The document from which Mr. Moore quotes is not an Instituto Resseguros do Brasil affidavit: it is the affidavit of a partner in Elborne Mitchell (solicitors to IRB in this matter) made not as a defence but only in opposition to the plaintiff's application for summary judgment.

There are not "claims on 1,300 contracts": there were apparently 1,300 risks involved, on several of which there were claims.

The syndicate was not suspended "when it became clear that IRB was not prepared to settle the reinsurance claims," since that did not become clear until the formal repudiation. The syndicate was placed in an intolerable position because innocent assured had valid claims on Lloyd's policies and were therefore being indemnified: the Committee of Lloyd's acted in December when IRB declined *pro tempore* to make any further payment. The immediate solvency of the syndicate had thus been impaired prior to the denial of liability.

Den Har Underwriters is not the American underwriting agent of the Sasse syndicate, though at the time it held a binding authority from the syndicate.

It is not alleged in the affidavit that the claims were in areas where "no commercial insurer would generally give cover." The relevant part of the affidavit discussed the way in which the fair access to insurance requirements plan is designed to provide insurance at high rates in such areas, where otherwise cover would not be available.

It is not alleged in the affidavit that Sasse cancelled Den Har's underwriting authority "when it became clear that Lloyd's tribunal approval would not be gained"; such a suggestion of a casual link would be quite unfounded, and the affidavit merely draws attention to the time sequence.

My interest in this matter is that my company is now responsible to the members of the syndicate for all matters concerning the Den Har contract. I am not attempting here to respond to the affidavit, nor to correct any errors that may exist in it. I accept that this situation is so extraordinary that it is entirely proper that it should be subjected to the sort of responsible investigative journalism generally apparent, and merely wish to point out that there are some matters which Mr. Moore appears to have got slightly wrong.

It would also be insulting to the solicitors acting for IRB to suggest that the affidavit was other than a partial document, designed to show their client in the best possible light in this dispute. There will not and cannot be any response in detail or otherwise to the affidavit from the plaintiffs, the members of the syndicate, until the trial.

Stephen R. Merrett.
Lloyd's, Lime Street, EC3.

Local authority accounting

From Mr. R. Godin

Sir.—Your report of June 21 (Page 7) does not qualify me to say whether the Greater London Council "scandal" is such because of its size, or because it occurred at all. My question is simply "Why is it a surprise?" I would truly love to believe that the army of accountants in County Hall was from an early stage advising the responsible officials regularly of potential overspends and that the much vaunted internal audit at County Hall was raising similar reports. I suspect, however, that subsequent investigation will demonstrate that neither of these parties were organised other than to act as retrospective "bean counters" or as historic auditors of the final accounts.

Such "scandals" are, of course, not unique to local authorities, but former colleagues do lead me to believe that the approach to project accounting is such that it is probably of far greater proportions in the public sector than elsewhere.

If only all the talent currently engaged in drawing up standards exposure drafts and recommendations could be applied to actually saving money for the tax payer or rate payer, my beloved profession could once again become respected in this field. When will we accountants wake up to the commercial world around us by prophesying rather than apologising?

R. K. Godin.
90, Powerscroft Road, E5.

Today's Events

GENERAL

Mr. James Callaghan, Prime Minister, due to meet President Carter in the U.S. for discussions on aerospace: Mr. Callaghan will receive the first Hubert H. Humphrey award for international statesmanship from the National Committee on American Foreign Policy in New York.

Quarterly analysis of bank advances (mid-May).

Two-day meeting of EEC Foreign Ministers opens in Luxembourg.

Lord McCarthy hearing of submissions from Post Office Engineering Union and the Post Office on industrial problems of telephone engineers.

Trades Union Congress finance and general purposes committee meeting, Congress House, London.

Captain Harmut Weinert, master of the salvage tug, expected to give evidence at Liberian Board of Inquiry on Amoco Cadiz disaster hearing, 10, Upper Belgrave Street, London.

Mr. Edmund Dell, Secretary for Trade, meets delegation from Institute of Directors to discuss industrial democracy plans. The delegation will be headed by Lord Erroll of Hale.

Two-day Financial Times conference opens at University of Edinburgh on Scottish Finance and Industry—chairman of the four sessions will be Lord Thomson of Monifieth, Mr. Alan R. Devereux, Mr. Ian R. Clark and Mr. John B. Burke.

Annual meeting of International Whaling Commission at Mount Royal Hotel, Marble Arch, London, opens with address of welcome by Mr. Edward Bishop, Minister of State, Ministry of Agriculture (ends June 30).

South African Government plans to start registration of votes for Namibian constituent assembly (continues until September 22).

Chancellor Helmut Schmidt of West Germany starts two-day visit to Nigeria.

Three-day meeting opens in Athens organised by the Hellenic Chamber of Development and Economic Co-operation with the Arab Countries, to attract Arab capital investment to Greece.

Southern Gas Consumers' Council annual report for 1977-78.

Canvey Island public meeting on Health and Safety Executive report on potential hazards. The Paddocks. 8 pm.

Queen begins visit to Channel Islands (until June 29).

Prince Charles opens "The Richer Heritage" exhibition, County Hall, SE1. 2.30 pm.

Publication of "Britain Today and Tomorrow" book by British Council of Churches.

Lord Mayor of London attends Girdlers' Company dinner, Girdlers' Hall, Basinghall Avenue, EC2, 7 pm.

PARLIAMENTARY BUSINESS

House of Commons: Debate on trade and the prosperity of the nation.

House of Lords: Debates on Official Secrets Act and on monetary union in EEC.

OFFICIAL STATISTICS

National Food Survey report on consumption (first quarter).

COMPANY RESULT

Trident Television (half-year).

COMPANY MEETINGS

See Week's Financial Diary on Page 39.

COMPANY NEWS + COMMENT

Norcros expands to record £14.51m

FOLLOWING A £1m advance at halftime to £5.54m Norcros finished the March 31 1978 year ahead from £12.09m to a record £14.51m, which included a lower contribution from associates of £0.22m compared with £1.43m.

Sales increased by £22.6m to [illegible]: associates share was £16.83m against £17.5m which included £6.86m exports, and £3.46m overseas.

Stated earnings per 25p share are up from 13.93p to 14.7p and the dividend is stepped up to 4.42p (3.96p) net, with a final of 2.82p.

An analysis of sales and pre-tax profits shows: UK operations—construction £51.77m (£41.35m) and £3.77m (£2.96m); consumer and allied products £31.92m (£34.49m) and £1.95m loss (£2.53m); engineering £37.14m (£31.52m) and £2.11m (£2.18m) and printing and packaging £33.09m (£28.27m) and £4.19m (£3.22m); overseas £25.79m (£20.85m) and £4.34m (£3.25m); and head office and associates £16.83m (£17.5m) and £2.05m (£3.01m).

Profits were subject to tax of £5.28m (£3.49m) and pre-acquisition losses for the period of £6,000. Also there was an extraordinary debit for the year of £0.76m against a £93,000 credit last time.

Surplus for the year was down from £7.76m to £7.41m but a smaller transfer to reserves of £4.95m compared with £5.56m left the available profit up at £2.46m.

As at March 31 assets totalled £81.91m (£73.6m) and net current assets stood at £43.09m (£37.27m).

	1977-78 £000	1976-77 £000
Group sales	196,543	173,973
UK	128,290	119,156
Exports from UK	27,631	18,475
Overseas	25,790	20,849
Associates	16,832	17,498
Trading surplus	16,938	13,065
Associates	220	1,430
Investment income	895	1,251
Interest payable	3,441	3,661
Profit before tax	14,512	12,085
Tax	5,283	3,488
Net profit	9,229	8,597
Pre-acquisition losses	6	—
To minorities	954	819
Attributable	8,271	7,778
Pref. dividends	110	110
Extraord. debit	764	93
Leaving	7,407	7,761
To reserves	4,951	5,560
Available	2,456	2,201
Interim ord	899	834
Proposed final	1,567	1,367

● comment

With full year pre-tax profits up a fifth, following the 22 per cent interim improvement, Norcros has lived up to expectations. There has been a solid advance by the construction side, aided by a portion of the profits from the Iraqi turnkey railway sleeper factory contract—another plant has now been sold to Zambia. The window side has been busy, also aided by a higher proportion of overseas business. Meantime engineering featured a good performance by the crane interests, though this division was held back by a loss of near £200,000 by the scrap operation. Norcros is currently negotiating the acquisition of several other engineering businesses. Continuing with the good news, the UK printing side enjoyed a record year.

There are also some black spots, however, with the Hygena kitchen furniture subsidiary further hit by a late slump in demand (which continues to be very poor in the early months this year) while a £0.3m loss was contributed by the French printing associate Nor SA, which could well be in line to be sold. The balance sheet remains liquid, with cash nearly £4m higher at £14.4m, and Norcros is anticipating further growth. At 84p the shares are on an undemanding rating, with a p/e of 5.5 (after 36 per cent tax) and a yield of 8.3 per cent.

BOARD MEETINGS

The following companies have notified dates of Board meetings to the Stock Exchange. Such meetings are usually held for the purposes of considering dividends. Official indications are not available whether dividends concerned are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interims—Cronite, Trident Television.
Finals—Cattle's, Somic, Walker and Staff, Whitecroft, Wilson Brothers.

FUTURE DATES

Interims—	
Grange Trust	June 30
Norfolk Capital	June 28
Trust Houses Forte	June 28
Finals—	
Caird (Dundee)	June 27
Giltspur	June 29
Gresham House Estate	June 28
Jarvis (J.)	July 27
Monk (A.)	July 5
National Carbonising	June 30
Preedy (Alfred)	July 17
Wharf Mill Furnishers	June 29

Expansion by Datastream

Datastream International, which supplies financial and economic computer-based information and computation services, is to acquire **Inter-Bond Services** for a maximum of £300,000.

Inter-Bond provides computer services on Eurobond and gilt-edged securities to dealers and stockbrokers, and has close links with The Association of International Bond Dealers. Inter-Bond's directors and staff will be joining the Datastream group.

Advance by Continental & Industrial

With total revenue higher at £2,473,720 against £2,221,894, pre-tax revenue of the **Continental and Industrial Trust** advanced from £1,668,232 to £1,819,595 for the year ended May 31, 1978.

The taxable result was struck after expenses of £137,265 (£110,718) and £516,860 (£442,944) interest. After tax of £654,270 (£644,174) and preference dividends, available revenue expanded from £985,558 to £1,126,825.

Stated earnings are 6.65p (5.82p) per 25p share and the dividend total is stepped up from 5.75p to 6.4p net, with a final of 4.15p.

Net asset value per share at the year-end stood at 259.4p (246.4p).

Continued progress for Lowman

The Tiverton-based **Lowman Group**, which has interests in property, investments and engineering, achieved a pre-tax profit in 1977 of almost £1.5m compared with just over £1.1m in 1976. Tax amount to £680,000 compared with £515,000 and co-partnership paid to employees exceeded £75,000. A similar figure is recommended as dividends to shareholders of whom approximately 40 per cent are charitable trusts.

Mr. Ian Heathcoat Amory the chairman states in his annual report that all sections contributed to this success although Lowman Oils had a difficult year due to extreme competition.

Capital expenditure on new assets in the engineering companies are expected to cost £500,000 while another £60,000 will be spent on alterations. The Exeleigh Foundry development is now costing £600,000 against the original plans which would have cost £450,000.

The chairman also refers to the acquisition of a major interest in Berekeley House, an office property in Exeter, a minority interest in a computer software innovation and a substantial interests in a consortium drilling for natural gas in the U.S.

Mr. Amory expresses confidence that 1978 will see the continuation of the group's success.

Normand shuts down in Canada

Despite close supervision from the UK the Canadian venture by **Normand Electrical Holdings** did not come up to planned performance in 1977-78 and has been shut down. The company, formed in Toronto to handle group sales in the region, had lost £55,000 in the previous 12 months, its first year of trading.

The market has remained very depressed and an additional import duty was imposed covering the group's range of products, which include electric motors, gear boxes and electronic and marine equipment. Mr. J. W. Bowdage, the chairman, tells members that the registered company in Canada is being retained in case it may be used profitably at some future date.

The group has recently implemented a substantial programme of updating of manufacturing processes and machinery, a proportion of which will be financed by leasing to assist cash flow.

The group's new South African company began trading on March 1, 1978. Backed by a great deal of sales promotion it got off to a "flying start" and should be contributing to group profit in the current year, he says.

Meeting, Kensington Palace Hotel, W., on July 20 at 11.45 a.m.

Mr. John V. Sheffield, chairman of Norcros—group balance sheet at March 31 remains liquid, with cash nearly £4m higher at £14.4m.

Parkland chief optimistic but warns on imports

ALTHOUGH ENCOURAGED by the first few months of trading showing increased turnover Mr. Jack Hanson, chairman of Parkland Textile (Holdings), expresses great concern in his annual statement over the effect of cheap imports on the UK textile industry.

"Given a fair chance to compete, I am optimistic that your company will continue to prosper in the current year," he tells shareholders.

Nevertheless, he says he is now disappointed with the prospects for selling products in the Common Market. The opportunities, he adds, of a much bigger home market in the EEC seems to have become, "opportunities for the State-controlled countries and the 'Third World.'"

As reported on June 7, Parkland, one of Britain's biggest producers of worsted cloth for the men's wear trade, achieved record pre-tax profits of £2.2m (£1.8m) for the March 3, 1978, year on best-ever sales of £29.2m ([illegible]).

Mr. Hanson points out that throughout the year there was heavy pressure on the company's business with the multiple clothing trade which itself had been affected by cheap imports. "Our industry still faces impossible competition from cheap imports of basic products in spite of the renegotiation of the multi-fibre arrangement," he states.

Margins were again under pressure throughout the year, he says, both at home and abroad, and the combination of these factors made it more difficult than the chairman had anticipated.

Funds generated from group operations during the year came to £2.8m and £1.4m was spent on capital expenditure, representing, Mr. Hanson says, the directors' confidence in the future. And capital expenditure is expected to continue at about this level.

He adds that the decision to reinvest retained profits enables the group to generate growth from within, and establish a firm base from which to expand.

At May 24 Rockland held 9.35 per cent of the equity, and Mr. P. H. T. Hanson 9.25 per cent.

Meeting, Leeds, on July 18 at 12.30 pm.

FT Share information Service

The following securities have been added to the Share Information Service appearing in the Financial Times:

American District Telegraph (Section: Overseas—New York)
Barymin Exploration (Section: Mines — Miscellaneous)
Cockburn Cement (Section: Overseas—Australia)
Texas Eastern Corporation (Section: Overseas—New York)
Third Mile Investment (Section: Industrials)

ECCLESIASTICAL INSURANCE

In connection with the placing by Rowe and Pitman Hurst-Brown of £3m of 10 per cent redeemable second cumulative preference shares in Ecclesiastical Insurance Office at par, a total of 300,000 shares will be available to the market tomorrow. Dealings are expected to start on Wednesday.

LWT/HUTCHINSON

LWT (Holdings) offer for Hutchinson preference shares has been accepted in respect of 337,420 shares (70.29 per cent). The offer is extended to July 6.

MINING NEWS

ARCO seeks bi[g] coal build-up

BY KENNETH MARSTON, MINING EDITOR

AMERICA'S Atlantic Richfield oil major is "bent on accomplishing probably the most rapid coal build-up in the history of the industry," according to the president, Mr. Thornton F. Bradshaw.

He said that the group's first coal mine, Black Thunder, near Gillette in Wyoming, is expected to produce 20m to 25m tons of coal a year by the mid-1980s. A second mine, 15 miles to the north, is due to [illegible] later this year and will produce 10m to 12m tons of coal a year.

Mr. Bradshaw said that [illegible] chemicals, copper and aluminium were its chief options for long range growth. The company anticipated a strong foreseeable future in the oil and gas business while turning to new possibilities for the longer term.

"We expect solid petroleum business opportunity [illegible] future as we can see," he said, but added that "the opportunities for truly exciting growth could be restricted." The bulk of Arco's capital spending over the next five years will be on oil and gas exploration and production. Last year, oil and gas accounted for more than 87 per cent of pre-tax profits.

Goldsworthy to close early

[illegible]

HYUNDAI AND NSW COAL

The New South Wales-based coal miner, contractor and civil engineer, White Industries, said it has received no formal offer seeking participation in its Ulan coal mine from South Korea's Hyundai International.

According to reports from Seoul, Korean officials said that the Government would favourably consider a plan for Hyundai to inject A$45m (£28m) into the Ulan mine.

The Korean officials said that of this sum, A$10m would be equity investment but they did not make clear whether this equity would be in the mine or in White Industries, the report said.

White Industries said a Korean electricity corporation and Hyundai mission, which visited the mine in 1977, advised it that Ulan coal was suitable for use in Korea.

PANCONTINENTAL IN QUEBEC FIND

The James Bay Development Corporation, a Quebec Government agency in charge of mineral [illegible]

Country & New Town t[rusts] consolidate o'seas affair[s]

MR. GERALD NEWTON, chairman of Country and New Town Properties tells shareholders in his annual statement that directors are awaiting approval to consolidate the group's overseas affairs into a separate self financed group.

British and Commonwealth Shipping Company, which owns 29.7 per cent of the equity, has agreed to participate in the formation of the new group by transferring interests held jointly with Country in various overseas companies.

The new company will have gross assets estimated at £25m and a net worth of some £12m. A medium-term facility of U.S.$10m for overseas expansion is under negotiation, the chairman says.

Major improvements at the Strand store are progressing very satisfactorily and on schedule, Mr. Newton says.

However, the scale of work being undertaken has inevitably been the cause of [illegible] disruption. It is expected [illegible] in time for the Christmas [illegible] and although sales in [illegible] already completed [illegible] he says that the full benefit of modernisation will not be enjoyed until next year.

Further to this he adds the company should be in a position to obtain some rental [illegible] from the office conversion [illegible] be completed in the autumn.

Auditors, Peat, Marwick, Mitchell and Co. say that no provision has been made for the amount of tax on capital gains which would become payable under present legislation in the event of the sales of the UK properties at amounts at which they are stated in the accounts.

Meeting, 8-11 Agar Street, on July 20 at noon.

LOCAL AUTHORITY BOND TABLE

Authority (telephone number in parentheses)	Annual gross interest %	Interest payable	Minimum sum £	Life of bond Years
Barking (01-592 4500)	10¾	½-year	1,000	4-6
Barking (01-592 4500)	11¼	½-year	5,000	4-6
Barnsley Metro. (0226 203232)	11¼	½-year	250	5-7
Knowsley (051 5486555)	11¼	½-year	1,000	5-7
Poole (02013 5151)	10¾	½-year	500	5
Poole (02013 5151)	11½	½-year	500	6-7
Redbridge (01-478 3020)	11½	½-year	200	5-7
Sefton Met. BC (051 922 4040)	11¼	½-year	2,000	5-7
Thurrock (0375 5122)	11½	½-year	300	5
Thurrock (0375 5122)	11⅝	½-year	300	3-8

FINANCE FOR INDUSTRY TERM DEPOSITS

Deposits of £1,000-£25,000 accepted for fixed terms of 3-10 years. Interest paid gross, half-yearly. Rates for deposits received not later than 30.6.78.

Terms (years)	3	4	5	6	7	8	9	10
Interest %	10½	11	11¼	11½	11¾	12	12¼	[illegible]

Rates for larger amounts on request. Deposits to and further information from The Chief Cashier, Finance for Industry Limited, 91 Waterloo Road, London SE1 8XP (01-928 7822, Ext. 177). Cheques payable to "Bank of England, a/c FFI." FFI is the holding company for ICFC and FCI.

Pending dividends timetable

The dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table. Dates shown are those of last year's announcements except where the forthcoming board meetings (indicated thus*) have been officially published. It should be emphasised that the dividends to be declared will not necessarily be at the amounts or rates per cent shown in the column headed "Announcement last year." Preliminary profit figures usually accompany final dividend announcements.

Company	Date	Announcement last year
[illegible]	[illegible]	[illegible]

Board meetings intimated. † Rights issue since made. ‡ Tax free. § Scrip issue since made from reserves.

Public Works Loan Board rates

Effective from June 24

Years	Quota loans repaid by EIP†	Quota loans repaid at maturity§	Non-quota loans A* repaid by EIP†	Non-quota loans A* repaid at maturity§
Up to 5	[illegible]	[illegible]	[illegible]	[illegible]
Over 5, up to 10	[illegible]	[illegible]	[illegible]	[illegible]
Over 10, up to 15	[illegible]	[illegible]	[illegible]	[illegible]
Over 15, up to 25	[illegible]	[illegible]	[illegible]	[illegible]
Over 25	[illegible]	[illegible]	[illegible]	[illegible]

* Non-quota loans B are 1 per cent higher in each case than non-quota loans A. † Equal instalments of principal. ‡ Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

RECENT ISSUES

EQUITIES

Issue Price	Amount Paid up	Latest Renunc. Date	1978 High	1978 Low	Stock	Closing Price	+ or	Div.	Times Covered	Gross Yield	P/E Ratio
[illegible]					Bramall (C.D.)	86					
[illegible]					Eurotherm	162					
[illegible]					Thames Plywood	34					

FIXED INTEREST STOCKS

Issue Price	Amount Paid up	Latest Renunc. Date	1978 High	1978 Low	Stock	Closing Price	+ or
[illegible]					[illegible]		

"RIGHTS" OFFERS

Issue Price	Amount Paid up	Latest Renunc. Date	1978 High	1978 Low	Stock	Closing Price	+ or
[illegible]					[illegible]		

[illegible]

TEL AVIV STOCK EXCHANGE

[illegible]			

BASE LENDING RATES

Bank	Rate	Bank	Rate
A.B.N. Bank	10 %	Hambros Bank	10 %
Allied Irish Banks Ltd.	10 %	Hill Samuel	§10 %
American Express Bk.	10 %	C. Hoare & Co.	†10 %
Amro Bank	10 %	Julian S. Hodge	11 %
A P Bank Ltd.	10 %	Hongkong & Shanghai	10 %
Henry Ansbacher	10 %	Industrial Bk. of Scot.	9 %
Banco de Bilbao	10 %	Keyser Ullmann	10 %
Bank of Credit & Cmce.	10 %	Knowsley & Co. Ltd.	12 %
Bank of Cyprus	10 %	Lloyds Bank	10 %
Bank of N.S.W.	10 %	London Mercantile	10 %
Banque Belge Ltd.	10 %	Edward Manson & Co.	11½ %
Banque du Rhone	10½ %	Midland Bank	10 %
Barclays Bank	10 %	Samuel Montagu	10 %
Barnett Christie Ltd.	11 %	Morgan Grenfell	10 %
Bremar Holdings Ltd.	11 %	National Westminster	10 %
Brit. Bank of Mid. East	10 %	Norwich General Trust	10 %
Brown Shipley	10 %	P. S. Refson & Co.	10 %
Canada Perm't Trust	10 %	Rossminster Accept'cs	10 %
Capitol C & C Fin. Ltd.	10 %	Royal Bk. Canada Trust	10 %
Cayzer Ltd.	10 %	Schlesinger Limited	10 %
Cedar Holdings	10 %	E. S. Schwab	11½ %
Charterhouse Japhet	10 %	Security Trust Co. Ltd.	11 %
Choulartons	11 %	Shenley Trust	11 %
C. E. Coates	11 %	Standard Chartered	10 %
Consolidated Credits	10 %	Trade Dev. Bank	10 %
Co-operative Bank	10 %	Trustee Savings Bank	10 %
Corinthian Securities	10 %	Twentieth Century Bk.	11 %
Credit Lyonnais	10 %	United Bank of Kuwait	10 %
The Cyprus Popular Bk.	10 %	Whiteaway Laidlaw	10½ %
Duncan Lawrie	10 %	Williams & Glyn's	10 %
Eagil Trust	10 %	Yorkshire Bank	10 %
English Transcont.	11 %		
First London Secs.	10 %		
First Nat. Fin. Corpn.	11½ %		
First Nat. Secs. Ltd.	11 %		
Antony Gibbs	10 %		
Greyhound Guaranty	10 %		
Grindlays Bank	10 %		
Guinness Mahon	10 %		

■ Members of the Accepting Houses Committee. [illegible]

INTERNATIONAL COMPANY NEWS

Growth at Swedish investment group

BY WILLIAM DULLFORCE

STOCKHOLM, June 25.

THE SWEDISH investment company Promotion reports an increase in earnings of 54 per cent for the year ended March 31 and the board recommends an increase of SKr 1 to SKr 10.50 a share in the dividend, making a total payment of SKr 9.9m. The pre-tax profit of SKr 53.1m ($11.5m) includes minority shares of SKr 1.8m adjusted earnings per share come out at SKr 31 against SKr 24.

Promotion owns 12 small, highly specialised operating companies, the bulk of whose products is exported. Their combined sales increased by 27 per cent to SKr 1.29bn ($280m) last year with earnings rising slightly faster to SKr 44.1m. The income from Promotion's investment portfolio was SKr 6.1m, an increase of SKr 5.4m from the previous year, when the income reported was exceptionally low owing to the change in the financial year. There was also an extra dividend income from unlisted companies of SKr 2m.

The increase in earnings by the operating companies is due almost entirely to the improvement in the performance of Hiab-Foco, which is the world leader in the manufacture of hydraulic cranes for trucks and Promotion's largest subsidiary. With an increase in sales of 33 per cent to SKr 539m, Hiab-Foco was able to raise its pre-tax profit more than five times to SKr 24.7m.

More disappointing was the performance of the second largest company in the group, Linden-Alimak, a crane and construction lift producer which returned almost unchanged earnings of only SKr 1.2m despite sales up 46 per cent to SKr 249m. The Kilaberg Property Company contributed a substantial SKr 10.7m to group earnings.

Tax recommendations

PARIS, June 25.

A REPORT prepared for the French Government suggests that companies should be allowed to offset against tax all dividends they pay.

The report on the long-term financing of companies, prepared by the Finance Division of the Economic and Social Council, also said companies should be able to issue bonds that would give the holders the right to subscribe to future capital issues. Company borrowings in France should be made on a "more flexible basis," with more possibilities than at present for early repayment of loans and for borrowing at floating interest rates.

The report added that state aid should be restricted to cases of urgent need and should then if possible take the form of capital injections rather than loans. It suggests workers in and associates of small companies should be able to provide loan capital in accounts that would be blocked for five years. The interest paid on these accounts would then be given the same tax advantages as bond interest.

Reuter

Swiss Bank manual

SWISS BANK Corporation has published a new edition of its manual of Swiss shares, writes John Wicks from Zurich. The manual, obtainable in English French and German, gives details of operations and accounts for 83 companies listed on Swiss bourses, with charts of stock quotations and dividends for major companies. The booklet also includes data on the development of the bank's share index over the past 20 years and for the first time a list of outstanding convertible and warrant borrowings of Swiss companies.

Hoffman la Roche

RESULTS of F. Hoffman la Roche for 1978 could be less favourable than those for 1977 if the monetary position does not change, outgoing chairman Adolf Jann told the annual meeting. Last year the net income of the Roche/Sapac group fell to SwFr 336m from SwFr 475m.

Shareholders were told that the company has been seriously affected by fluctuations in the level of economic activity and conditions in the monetary field, but there were few changes in the timing of the investment programme and research is continuing without restriction.

DSM closing fertiliser plant

By Charles Batchelor

AMSTERDAM, June 25.

DUTCH fertiliser group, Unie van Kunstmestfabrieken (UKF), plans to shut down plant in Holland with a capacity of 100,000 tonnes of nitrate fertilisers.

UKF, which is a subsidiary of the DSM Chemicals Group, announced in April a $46m plan to expand its fertiliser plant at Ince on Mersey-side.

The company plans to shut down a nitric acid and a nitrate fertiliser plant at Geleen, which is part of DSM's headquarters' complex in South-Eastern Holland, some time next year. Talks have begun with the works' council about the plan which is expected to lead to the loss of 150 production jobs. The value of sales from the plant is Fl200m ($90m) a year.

The shut-down has been brought about by the decline in demand in Western Europe. There is good demand for nitrate fertilisers in the Scandinavian countries, where quick-working fertilisers are particularly useful in the short summers. Transport costs make it uneconomic to export from Holland however.

With total capacity of around 4m tonnes, UKF is one of the largest fertiliser makers in the world. It has large-scale plants at Geleen, Ijmuiden, Amsterdam, and Pernis in Holland, and at Ince in the UK, as well as smaller plant in Belgium, France and Ireland. It is building a nitric acid and an ammonium nitrate plant at Ince and expanding fertiliser capacity to 720,000 tonnes.

Rorento listing

AMSTERDAM, June 25.

DUTCH INVESTMENT fund, Rorento, has listed its shares on the leading Swiss Stock Exchanges. The fund's shares are already quoted in Holland, France, Germany, Luxembourg and Austria.

Rorento, which is the bond fund of the Rotterdam-based Robeco group, recently announced that its issued capital more than trebled to Fl. 945m ($422m) in the 12 months to February.

● Royal Nedlloyd, Holland's largest shipping line, has signed a medium-term roll-over loan of $50m. The 10-year loan will partly cover Nedlloyd's investment programme for 1978-79.

MINING NOTEBOOK

Metals Exploration set on the recovery road

BY LODESTAR

AT THE END of May I was giving a gentle warning here about the dangers of rushing indiscriminately into the newly-fledged Australian mining share revival. Passions have since cooled, although next month could well see new excitements.

One of the shares cited that seemed to have been carried up willy-nilly was Metals Exploration which had quadrupled to 40p. On Friday they were 27p. I pointed out that no dramatic improvement to justify the rise appeared to have taken place in the fortunes of the company's major venture the struggling Greenvale lateritic nickel operation in Queensland, where the partner is America's Freeport Minerals which also holds 20 per cent of Metals Exploration.

It was thus a timely moment last week to have lunch with Metals Exploration chairman Mr. Reg Hare who is over here making arrangements for UK shareholders to be more fully and promptly informed about the company's activities.

He made no bones about the fact that in a depressed market for the metal Greenvale is still going through a thin time. However, he thought that the worst may now have been seen in the nickel market and made the point that at least Greenvale has no problems in financing unsold stocks as virtually all its output is sold forward under variable price contracts. Furthermore, the mine's production has improved to 95 per cent of capacity in recent months.

He also pointed out that Greenvale is a major producer of cobalt, the price of which could show fresh strength when the supply pipeline from the strife-hit mines in Zaire runs dry. Greenvale's annual output of 80 tons could then provide a useful cash flow. Even so, he still feels that it could take up to five years before the overall operation will be able to repay its total debts.

In the meantime, Metals Exploration has fully written down its investment in Greenvale and is thus in a position to rebuild its own fortunes "now that we are over the worst." This will naturally require fresh funds in addition to the hoped for working capital of some $A3m (£1.86m) by the year-end. But the chairman does not envisage making any call on shareholders.

At present there is a cash flow from the small but high-grade Nepean nickel mine in Western Australia, which still has at least a seven year life prospect. Another paying proposition is the Ruxton alluvial tin operation in northern Queensland. But the sparkle in Mr. Hare's eye is prompted by the 40 per cent owned Longos gold venture in the Philippines.

This is the first orebody in a field that may hold further deposits. It has a potential mining life of 10 years in ore grading half-ounce to the ton. Projected annual output is 65,000 ounces, and costs are assessed at only $U.S.70 an ounce. The time needed to reach production is reckoned to be two years.

Longos is "ready to go," but first there is a little matter of $U.S.15m (£8.1m) needed for pre-production costs. Mr. Hare sees no real problem in raising the money. Metals Exploration may already have other new ventures in mind—tin in Tasmania has been the whisper—and the company can now be said to have its foot on the recovery ladder. But Mr. Hare makes no pretence that it will be a fast climb.

Harmony hopes

The price of gold behaves well, and may be in the process of establishing a new trading range in the $185-$190 area. But it is uranium that adds that extra touch of brilliance to many of the South African mines. As recently noted here, the generous final dividend pay-out by Hartebeest was partly prompted by the R11.6m customer loan that accompanied its latest long-term uranium contract, in that this will have reduced the proportion of earnings needed to be set aside for capital expenditure requirements.

Harmony, it is now thought, could be another such example. It is also receiving an interest-free loan as an adjunct to a uranium sales agreement. The money is to be used to finance the erection of a new uranium plant at the mine's Merriespruit section. This, it is argued, should allow a more generous profit pay-out in the year to June, 1979.

The March final for 1977-78 was 30 cents, surpassing the chairman's forecast and making a total of 55 cents (34.3p) against only 25 cents for the previous year. A September interim of 40 cents or more is being looked for in some quarters.

Harmony is a low-grade gold mine and its shares thus rank among those that can be quickly responsive to upward movements in the bullion price. Uranium revenue, although subject to sharp fluctuations, provides a very useful insurance element in the company's fortunes. The shares are 337p giving Harmony the added market attraction of not being so heavily priced as so many of the leading gold stocks these days.

* * *

There used to be a wise old mining market saying back in the gold boom days that when American buying rushes a share price up, "Let 'em have 'em." I was reminded of this by Friday's jump of 24p to 412p in De Beers, which was largely inspired by a sudden surge of U.S. demand. Enough said?

* * *

While there's life there's hope department: I hear that Bridge Oil is making a bid to the receiver into whose hands that relic of the last Australian mining market uproar Silver Valley has fallen 10 cents for the fully-paid shares, and 2½ cents for the partly-paid.

The company was last known for its Mawson coal and real estate interests in New South Wales, but it is presumably the losses that must have built up that are also attracting Bridge. Last year Hampton Areas paid 10 cents a share for an 18.7 per cent stake in Silver Valley, which also has an antimony property in NSW being worked on a royalty basis by a subsidiary of Vam.

INSURANCE

How to safeguard employees' health

BY ERIC SHORT

WHEN A VITAL piece of machinery is suffering from a certain defect, it is sheer common sense to put it right as soon as possible with the minimum of disruption to output and the flow of work. This principle certainly needs to be applied when employees contained in key functions within a company are involved.

A key employee suffering from a minor, or perhaps not so minor, ailment can probably still do his job, but it is unlikely that it will be with 100 per cent efficiency. It makes sense, both to the company and to himself, that he should be attended to as soon as possible. But using the National Health Service facilities often means joining a two-year queue.

The solution is to make use of private medical facilities. The employee can have the necessary operation and medical treatment in a private hospital or the private wing of an NHS hospital with a minimum of delay. The arrangements will be made by the employee's own medical adviser in conjunction with the consultant.

The employee will have a private room and this means there is another big advantage as far as the company is concerned. Once the post-operative period is over—usually 24 or 48 hours after the operation—the employee will be able to undertake some of his normal work.

Because he has a private room with its own telephone, visitors are allowed to the hospital for most of the day. Work can be brought to the employee at the hospital, his secretary may take notes, dictation and letters during the day. The employee himself can keep in constant contact with his colleagues by using the telephone.

In any case, the provision of private medical facilities, with the employer meeting the cost, can be a valuable fringe benefit. But it is not tax-efficient simply for the employer to pay all the hospital costs direct as they arise. Such payments, which can run into hundreds of pounds, are taxed as a benefit in kind on the tax assessment of the employee concerned.

The solution is for the employer to take out medical insurance on behalf of his employees. Then under present tax procedure only the annual contribution paid in respect of each employee is taxed as a benefit in kind. So under this system, every employee covered by the scheme is taxed each year, irrespective of whether or not he receives private medical treatment during the year. But the actual contribution assessed is likely to be less than £100.

The medical insurance market is dominated by three non profit-making provident associations—British United Provident Association, Private Patients Plan and Western Provident Association—which between them account for 98 per cent of the market. Crusader Insurance is the only insurance company to be at all active in this field.

These associations aimed originally to provide private medical insurance facilities, but the recent high rates of inflation have resulted in a sharp decline in the numbers of individuals taking out medical insurance.

Over the past decade there has been a strong growth in employers establishing group schemes, with often the employer paying the whole of the contribution. The associations have been extremely active in redesigning new schemes for companies, with the aim of keeping contributions down to a minimum while still providing the necessary cover.

Rebate

Where big companies are concerned, the schemes can be designed to meet the individual requirements of the employer and the contributions can be varied to reflect the company's own experience. This latter feature can take the form of some kind of rebate, which is set off against the following year's contributions, after ascertaining the claims and cost of a particular year. With smaller companies, however, the schemes have to be of the "off-the-peg" type in order to keep down costs.

Now that medical insurance has become accepted as an employee benefit, the employee benefit consultants regard it as part of their duty towards their clients to advise on this type of market. Although at present many schemes are still sold by direct contact between the associations' representatives and companies. The growth in new group schemes since last August has been gratifying, even though these benefits are subject to Phase Three of the pay policy.

Employers have to decide whether their schemes should cover all employees or just top executives, senior management and other key personnel. These schemes are quite common in the U.S., and U.S.-controlled companies in the UK tend to follow the parent company practice and insure everyone.

While one may find it hard to imagine a blue collar worker making use of private medical facilities, the associations are finding that shop floor workers are indeed showing an interest in private medicine. The extent of such benefits is a matter to be determined in the negotiations between employers, trade unions and other employee representatives.

Government 'encouraging increase in road freight'

BY IAN HARGREAVES, TRANSPORT CORRESPONDENT

INDUSTRY paid 37 per cent more in real terms for every ton of freight moved by road in 1976 than it did a decade earlier, according to a report today from the Transport 2000 pressure group.

The report, written by the organisation's director, Mr. Mick Hamer, says that this trend is due to the rapid increase in the average distances over which goods are moved as industry has re-organised itself into larger manufacturing and distribution units.

Mr. Hamer says that these changes—which have also been associated with a switch of long-distance freight traffic from waterway and rail to heavy lorries—are the direct result of Government policies aimed at reducing the costs per mile of road freight by allowing bigger lorries to travel faster on better roads.

Consequently "we are now paying more for moving less than we were ten years ago."

Mr. Hamer believes that this pattern of development is unhealthy for several reasons. It is wasteful of energy—in 1966 1 ton of fuel moved 290 tons of road freight, compared with 215 tons in 1976—and it has led to pressure for more roads and more lorries, with resultant damage to the environment.

Currency, Money and Gold Markets

Papering over the cracks

BY COLIN MILLHAM

INFLATION and monetary conditions have given rise to some concern on both sides of the Atlantic recently, and there is a general feeling in financial markets that little is being done to correct the factors leading to the overall malaise.

The gilt-edged market in the U.K. has run out of steam, after the initial bout of activity when Minimum Lending Rate was raised to 10 per cent, while the U.S. authorities also seem to be looking towards higher interest rates as a possible way out of their economic problems.

Expectations of a further rise in New York interest rates, have led to suggestions that the Bank of England has only a limited opportunity to bring down rates in London. But, at the same time it is probable that merely lifting U.S. rates will do little to dispel fears about the economy and the underlying weakness of the dollar.

Several different factors have played their part in influencing trading in foreign exchange markets recently, but most of the interest appears to centre around events in Japan, and the U.S.

The continuing trade balance in favour of Japan and against the U.S. pushed the yen to its highest rate against the dollar since the Second World War last week, but the U.S. currency did make a partial recovery on news that President Carter is prepared to raise oil prices next month through increased import fees if Congress is not willing to increase domestic oil taxes. This was only short-lived however, with the dollar/yen rate back at record levels again on Friday.

While the Japanese authorities watch the yen climb ever higher against the dollar, the central banks in Germany and Switzerland must be happy to see the yen isolating itself as the world's strongest currency. The Deutsche Mark, Swiss franc and yen have all had problems in holding down their respective levels against the dollar, but in recent days the Bank of Japan has had a much more difficult time than the Bundesbank or the Swiss National Bank.

The Japanese authorities may have been reluctant to intervene too heavily in the foreign exchange market, in fear of criticism at the forthcoming summit meeting of major industrial countries, but rumours that certain European central banks may have bought yen against their own currencies only adds weight to the suggestion that there is little that the authorities in Tokyo can do to stop the appreciation of the yen.

If central banks have purchased yen rather than dollars as an intervention tactic this only adds to Japan's problems.

GOLD

	June 23	June 22
Gold Bullion (a fine ounce)		
[illegible]	[illegible]	[illegible]

CURRENCY MOVEMENTS

June 23	Bank of England Index	Morgan Guaranty changes %
[illegible]	[illegible]	[illegible]

Based on trade weighted changes from Washington agreement December, 1971 (Bank of England Index=100).

THE DOLLAR-SPOT

June 23	Day's spread	Close
[illegible]	[illegible]	[illegible]

FORWARD AGAINST $

	One month	p.a.	Three months	p.a.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

THE POUND SPOT

June 23	Bank rate %	Day's spread	Close
[illegible]	[illegible]	[illegible]	[illegible]

Belgian rate is for convertible francs. Financial franc [illegible].

FORWARD AGAINST £

	One month	% p.a.	Three months	% p.a.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Six-month forward dollar [illegible].

OTHER MARKETS

	£			Note Rate
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Rate given for Argentina is free rate.

EXCHANGE CROSS-RATES

June 23	Pound Sterling	U.S. Dollar	Deutschemark	Japanese Yen	French Franc	Swiss Franc	Dutch Guilder	Italian Lira	Canada Dollar	Belgian Franc
Pound Sterling	1.	1.849	3.840	383.8	8.433	3.449	4.119	1584	2.078	60.27
U.S. Dollar	0.541	1.	2.077	207.5	4.561	1.865	2.228	856.6	1.124	32.60
Deutsche Mark	0.260	0.482	1.	99.92	2.196	0.898	1.073	412.5	0.541	15.70
Japanese Yen 1,000	2.606	4.818	10.01	1000.	21.97	8.987	10.73	4128.	5.414	157.1
French Franc 10	1.186	2.193	4.554	455.1	10.	4.090	4.884	1879	2.464	71.47
Swiss Franc	0.290	0.536	1.113	111.3	2.445	1.	1.194	459.4	0.602	17.48
Dutch Guilder	0.243	0.449	0.932	93.17	2.047	0.837	1.	384.6	0.504	14.63
Italian Lira 1,000	0.631	1.167	2.424	242.2	5.323	2.177	2.600	1000.	1.312	38.04
Canadian Dollar	0.481	0.890	1.848	184.7	4.058	1.660	1.982	762.3	1.	29.01
Belgian Franc 100	1.659	3.068	6.371	636.7	13.99	5.722	6.834	2629	3.447	100.

MONEY RATES

NEW YORK

[illegible]	[illegible]

GERMANY

[illegible]	[illegible]

FRANCE

[illegible]	[illegible]

JAPAN

[illegible]	[illegible]

LONDON MONEY RATES

June 23 1978	Sterling Certificate of deposit	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposits	Company Deposits	Discount market deposit	Treasury Bills	Eligible Bank Bills	Fine Trade Bills
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Local authority and finance houses seven days' notice, others seven days' fixed. [illegible]

APPOINTMENTS

Group posts at Vantona

Mr Robert Owen has been appointed managing director of Stott and Smith Group, the towel division of VANTONA GROUP. He was previously with Courtaulds. Mr. Orville Hudson has been made managing director of Albert Hartley, a member of the printing division of Vantona. He was with Heaton Mills Printing.

★

Mr. Geoffrey Wood, senior lecturer in banking and international finance at the City University, is joining BUCKMASTER AND MOORE, stockbrokers, as an economic consultant. He will be working with Dr. Ian Richards, the firm's gilt-edged economist. Mr. Wood is currently completing a one-year appointment as Visiting Scholar at the St. Louis Federal Reserve Bank. Mr. Mark Rogerson is joining Buckmaster and Moore as a senior gilt-edged sales executive on August 29. He is at present a producer and presenter of the BBC Radio 4 programme "Financial World Tonight."

★

Mr P. A. E. Carr, group personnel director of DEBENHAMS has become a director of subsidiaries H. and M. Rayne, Hardy Amies and Debenhams Inc. Mr. D. F. L. Jaggs has been made a director of member company Harvey Nichols and Co. and Mr. F. A. C. Rayne a director of H and M. Rayne.

★

Mr P. W. Howe has been appointed financial director of TI CHESWICK SILENCERS.

★

Mr. A. M. F. Hall has been appointed to the Board of ARTHUR GUINNESS SON AND CO (PARK ROYAL) with effect from July 1. He will assume the position of finance director, retaining his present responsibilities as financial controller.

★

Mr N. J Raven has been appointed a director of EVERARDS BREWERY.

★

MANUFACTURERS HANOVER TRUST COMPANY has promoted Mr. Andrew Brett to be vice-president in London. Mr. Brett is a commercial lending officer, and responsible for a range of corporate accounts.

★

Mr. R. Tilbury has been appointed chairman of the Board of Management, TRUSTEE SAVINGS BANK—South East.

★

BOOZ-ALLEN AND HAMILTON, management consultants, New York, has elected Mr. R. Keith Oliver as a vice-president. Mr. Oliver, who is based in Booz-Allen's London office, leads the firm's manufacturing practice in Europe. He is a specialist in production control and systems design.

★

SHELL CHEMICALS UK has appointed Mr. J. C. L. Cox as personnel director. He succeeds Mr. R. H. T. Hingston who is taking up a senior appointment in Shell International Petroleum Company.

★

Following the appointment of Mr. A. W. Mabbs as Keeper of Public Records in the PUBLIC RECORDS OFFICE, Mr. E. W. Denham has succeeded him as Deputy Keeper of Public Records and head of record services and publications division; Dr. Patricia M. Barnes has succeeded Mr. Denham as records administration officer and head of records administration division.

★

Mr. Donald D. Belcher, vice-president and general manager of Avery Label Europe, has joined FASSON EUROPE as vice-president and chief executive. Mr. D. Kember, general manager of Fasson's UK production plant in Cramlington in the North East of England, has been appointed vice-president and general manager, graphic arts division.

★

With the completion of formalities whereby The Exchange Telegraph Company (Holdings) acquires a 45.05 per cent holding in Transtel Communications, the Slough-based subsidiary of the Extel Corporation of America—a separate and unconnected company manufacturing teleprinters and telecommunications equipment — the following Board appointments are announced: Mr. Peter G. S. Mero, chairman and president of Extel Corporation, is appointed chairman of TRANSTEL COMMUNICATIONS with Mr. Godfrey F. Laurence, a director of Exchange Telegraph (Holdings), becoming deputy chairman. Mr. Williams E. Balazs, a vice-president and Mr. Robert E. J. Compton, a director of Extel Corporation, and Mr. Rex E. Nelson, a director of The Exchange Telegraph Company, a subsidiary of Exchange Telegraph (Holdings), become directors.

★

George Wimpey and Co. has acquired the Beatwaste and Industrial Services divisions of the pollution control activity of Powell Duffryn. The board of the new company, WIMPEY WASTE MANAGEMENT consists of: chairman, Mr. D. Wight (managing director, George Wimpey); deputy chairman, Mr. A. W. C. Morgan; Mr. H. Norris (finance director, George Wimpey); and Mr. F. Keen (transport controller, George Wimpey).

★

Mr. Alistair Gregory-Smith has been appointed a director of TOWRY LAW AND CO., insurance brokers, and Mr. Khushroo Ruston has been made director of Towry Law and Co. (Northern).

★

Mr. Roger Mathews, executive director of Express Creameries, and Mr. Christopher Nelson, executive director of Eden Vale, have been appointed to the Board of EXPRESS DAIRY FOODS, the major UK operating company in Grand Metropolitan's foods division.

★

The governing body of IMPERIAL COLLEGE OF SCIENCE AND TECHNOLOGY has appointed Mr. John H. Smith as secretary of the College and clerk to the governors from July 1 in succession to Mr. M. J. Davies, who is retiring. Mr. Smith has been Governor of the Gilbert Islands since 1975 and entered the Colonial Service in 1951.

NOTICE OF REDEMPTION

To the Holders of

Honda Motor Co., Ltd.

7½% Guaranteed Sinking Fund Debentures Due 1981

NOTICE IS HEREBY GIVEN, that One Million Two Hundred Eighteen Thousand Dollars ($1,218,000.00) principal amount of Honda Motor Co., Ltd. 7½% Guaranteed Sinking Fund Debentures Due 1981 and bearing the following serial numbers, have been drawn for redemption for account of the Sinking Fund on July 15, 1978 at the principal amount thereof and accrued interest to that date.

DEBENTURES IN DENOMINATION OF $1,000. EACH

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Holders of the above debentures should present and surrender them for redemption on or after July 15, 1978 with the January 15, 1979 and subsequent coupons attached at The Bank of Tokyo Trust Company, 100 Broadway, New York, N. Y. 10005, or at the offices of The Bank of Tokyo, Ltd. in London, Brussels and Paris, or the main offices of Mees & Hope in Amsterdam, Morgan Guaranty Trust Company of New York in Frankfurt, Banca Vonwiller & C. S.p.A. in Milan or Banque Generale du Luxembourg in Luxembourg. Coupons payable July 15, 1978 should be detached and collected in the usual manner.

Interest on the debentures so called for redemption will cease to accrue from and after the redemption date, to wit, July 15, 1978.

THE BANK OF TOKYO TRUST COMPANY
as Trustee.

June 12, 1978

NOTICE

The following coupon Bonds previously called for redemption have not as yet been presented for payment.

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CONTRACTS AND TENDERS

Democratic and Popular Republic of Algeria

MINISTERE DE L'HYDRAULIQUE, DE LA MISE EN VALEUR DES TERRES ET DE LA PROTECTION DE L'ENVIRONNEMENT

International Invitation for Pre-selection for the Project of Sanitation Improvement of the Town of Algiers

The Ministry of Hydraulic Engineering, Land Development and Protection of the Environment wishes to inform companies, member countries of the Banque Internationale pour la Reconstruction et le Développement (BIRD), and of Switzerland that they will undertake important works on the Oued El-Harrach reservoir in the Greater Algiers region for sanitation improvement.

The work includes the construction of:

—A main sewer of approximately 7 kms for used water and rainwater along the left bank of Oued El-Harrach. Ground excavation of approximately 350,000 cu. m. and 35,500 cu. m. of concrete are planned.

—A purifying station for the treatment of domestic and industrial waste waters for a population of approximately 750,000. The maximum flow of purified waters at the station will be approximately 4 cu. m./sec.

The Algerian Government has obtained a loan from Banque Internationale pour la Reconstruction et le Développement for part of the financing of this work.

The Ministry of Hydraulic Engineering, Land Development and Protection of the Environment invites contractors in this field of activities to submit their qualifications for the realisation of the two works mentioned above.

The pre-selection files may be obtained from the Direction de l'Hydraulique, de la Mise en Valeur des Terres et de la Protection de l'Environnement de la Wilaya d'Alger — Immeuble "La Pépiniere" — R.N. 5 Cinq-Maisons — El-Harrach — Algiers — ALGERIA, as from 15th June, 1978.

Interested companies should send their dossiers to the above-mentioned address by 31st July, 1978 at the latest.

The Burma Ports Corporation

propose to purchase

WORKSHOP TOOLS AND EQUIPMENT

in connection with a project for the rehabilitation of the Port of Rangoon, including:

Fuel Injection Pump Testing Machines.
Injection Nozzle, Lapping and Reconditioning Machine.
High Pressure Washing Plants (Garage Type).
Battery Charging Sets.
Steam Jet Cleaners.
Mobile Air Compressors
Diesel Engine Driven Welding Plant.
Transformer Welding Plant.
Oxy-Acetylene Gas Cutting Machine
Portable Cylinder Boring and Honing Machines.
Automatic Coil Winding and Taping Machines.
Electric Baking Ovens.
Varnish Impregnating Plant.
Portable Solid Spray Painting Machines
Gas Cutting Torch Sets with Accessories.
Various Tools and Equipment including Hydraulic Lifting and Shifting Jacks 10/50-ton capacity, Hydraulic Ram, High Pressure Greasing Units etc.

Payment for these purchases will be made from the proceeds of a Credit provided by the International Development Association

Tendering is open to manufacturers and their bona fide approved agents from World Bank member countries and Switzerland.

Applications for tender documents should be made to the following address:

The Crown Agents for Oversea Governments & Administrations
4 Millbank, Westminster, London SW1, England

quoting the reference E5B/BURIDAPORT 7/15176 and should be received at the Crown Agents' office before 10th July 1978.

CONTRACTS AND TENDERS

CONTRACTS AND TENDERS
Rate £13.00
per single column centimetre
For further details contact:
FRANCIS PHILLIPS on 01-248 8000 Ext. 456

PLANT AND MACHINERY

PLANT & MACHINERY SALES

Description	Telephone
100 TON CAPACITY COINING PRESS by Taylor and Challen—virtually unused—fully automatic—160 s.p.m. x 24 mm stroke.	0902 42541/2/3 Telex 336414
IN LINE MACHINE *for simultaneous surface milling both sides of continuous and semi-continuous cast non-ferrous strip up to 16" wide.*	0902 42541/2/3 Telex 336414
9 DIE, 1750 FT/MIN SLIP TYPE ROD DRAWING MACHINE equipped with 3 speed 200 hp drive. 20" horizontal draw blocks. 22" vertical collecting block and 1000 lb spooler (Max. inlet 9 mm finishing down to 1.6 mm copper and aluminium.)	0902 42541/2/3 Telex 336414
8 BLOCK (400 mm) IN LINE, NONSLIP WIRE DRAWING MACHINE in excellent condition 0/2000ft/min. variable speed 10 hp per block (1968).	0902 42541/2/3 Telex 336414
24" DIAMETER HORIZONTAL BULL BLOCK By Farmer Norton (1972).	0902 42541/2/3 Telex 336414
SLITTING LINE *500 mm x 3 mm x 3 ton capacity*	
TWO VARIABLE SPEED FOUR HIGH ROLLING MILLS Ex 6.50" wide razor blade strip production.	0902 42541/2/3 Telex 336414
MODERN USED ROLLING MILLS, wire rod and tube drawing plant — roll forming machines — slitting — flattening and cut-to-length lines — cold saws — presses — guillotines, etc	0902 42541/2/3 Telex 336414
1974 FULLY AUTOMATED COLD SAW by Noble & Lund with batch control.	0902 42541/2/3 Telex 336414
1970 CUT-TO-LENGTH LINE max. capacity 1000 mm 2 mm x 7 tonne coil fully overhauled and in excellent condition.	0902 42541/2/3 Telex 336414
1965 TREBLE DRAFT GRAVITY WIRE DRAWING MACHINE *by Farmer Norton 27"—29"—31" diameter drawblocks.*	0902 42541/2/3 Telex 336414
STRIP FLATTEN AND CUT-TO-LENGTH LINE by A. R. M. Max capacity 750 mm x 3 mm	0902 42541/2/3 Telex 336414
6 BLOCK WIRE DRAWING MACHINE equipped with 22" dia x 25 hp Drawblocks	0902 42541/2/3 Telex 336414
2 15 DIE MS4 WIRE DRAWING MACHINES 5,000ft/Min. with spoolers by Marshal Richards	0902 42541/2/3 Telex 336414
3 CWT MASSEY FORGING HAMMER —pneumatic single blow	0902 42541/2/3 Telex 336414
9 ROLL FLATTENING MACHINE 1,700 mm wide.	0902 42541/2/3 Telex 336414
7 ROLL FLATTENING MACHINE 965 mm wide.	0902 42541/2/3 Telex 336414
COLES MOBILE YARD-CRANE 6-ton capacity lattice jib.	0902 42541/2/3 Telex 336414
RWF TWO STAND WIRE FLATTENING AND STRIP ROLLING LINE 10" x 8" rolls x 75 hp per roll stand. Complete with edging rolls, turks head flaking and fixed recoiler, air gauging, etc. Variable line speed 0/750 ft/min. and 0/1500 ft/min.	0902 42541/2/3 Telex 336414
NARROW STRIP STRAIGHTENING AND *CUT-TO-LENGTH MACHINE (1973) by* Thompson and Munroe.	0902 42541/2/3 Telex 336414
BAR PEELER — 4 CENTRELESS. Reconditioned	01-928 3131 Telex 261771
BENDING ROLLS 8' x ¾". Excellent.	01-928 3131 Telex 261771
CONOMATIC 6 SPINDLE AUTOMATIC. Fully reconditioned, will turn and index to maker's limits. Capacity 3½" bar.	01-928 3131 Telex 261771
SCHULER 200 TON HIGH SPEED BLANKING PRESS. *Bed 48" x 40" 200 spm. Double roll* feed stroke 35 mm, excellent condition	*01-928 3131* Telex 261771
TAYLOR & CHALLEN No. 6 DOUBLE ACTION **DEEP DRAWING PRESS.** Condition as new.	01-928 3131 Telex 261771
VICKERS 200 TON POWER PRESS. *Bed 40" x* 36", Stroke 8". NEW COND.	01-928 3131 Telex 261771
MACHINE CENTRE. Capacity 5ft x 4ft x 3ft 5 Axes continuous path 51 automatic tool changes. 5 tons main table lead. Main motor 27 hp. Had less than one year's use and in almost new condition. For sale at one third of new price.	*01-928 3131* Telex 261771
WICKMAN 2¼ 6SP AUTOMATICS 1961 and 1963. EXCELLENT CONDITION.	*01-928 3131* Telex 261771
4,000 TON HYDRAULIC PRESS. Upstroke between columns 92" x 52" daylight 51", stroke 30".	01-928 3131 Telex 261771
COLD HEADERS BY NATIONAL ½" and ¾" DSSD EXCELLENT	01-928 3131 Telex 261771
ANKERWERK 400 TON INJECTION MOULDER. Reconditioned	01-928 3131 Telex 261771
UPSET FORGING MACHINE 4" 750 tons upset pressure	01-928 3131 Telex 261771

WANTED

MODERN USED ROLLING MILLS, wire rod and tube drawing plant—roll forming machines—slitting—flattening and cut-to-length lines—cold saws—presses—*guillotines*, etc.	0902 42541/2/3 *Telex 336414*

COMPANY NOTICES

CITY OF COPENHAGEN
8¾% UA 20,000,000 1976/86 Loan

Notice is hereby given to Bondholders that, during the twelve month period ending June 14, 1978, no Bonds have been purchased.

Outstanding amount: UA 19,250,000.

THE FISCAL AGENT
KREDIETBANK
S.A. Luxembourgeois

Luxembourg, June 26, 1978

TRANSPARENT PAPER LIMITED ORDINARY SHARES

The Final Dividend in respect of the year ended 1st April 1978 of 3.255p per share on the Issued Ordinary Shares of the Company is payable on 4th August 1978 to Shareholders on the registers as at 10th July 1978.

By Order of the Board
P. MACLEAN, Secretary.

Registered Office,
Bridge Hall Mills,
Bury, Lancashire.

THE TOR INVESTMENT TRUST LIMITED

NOTICE IS HEREBY GIVEN that the Registers of the Debenture Stocks will be CLOSED from 8th to 21st July 1978 inclusive.

By Order of the Board.
J. TODD, Secretary.

LONDON AND LIVERPOOL TRUST LIMITED

NOTICE IS HEREBY GIVEN that the Register of the Ordinary Shares will be CLOSED from 10th to 21st July 1978, inclusive, for the preparation of Dividend Warrants.

By Order of the Board.
J. TODD, Secretary.

BUSINESS AND INVESTMENT OPPORTUNITIES

OPPORTUNITY SOME PREFER TO MISS

EXHIBITION AT DUBAI TRADE CENTRE OCT.-NOV. '78

A young Businessman with 11 years experience in the United Arab Emirates, holding a British Passport (Muscat origin) would like to represent and promote sales of UK products and or services on behalf of reputable manf./exporters of construction and building materials and allied products. Contact: Mr. A. Jaffer, P.O.B. 1127, Al Ain, Abu Dhabi, U.A.E. Telex 3535 ALNEXP.

MOTOR CARS

Mercedes-Benz Dealers
CLOVER LEAF CARS

230.4 1976. Topaz brown, bamboo tex. Auto pas. 1 owner, 26,000 miles, radio. £6,250

280E 1973. White brown tex. Auto pas. Radio. 46,000 miles £4,295

Telephone David Jacobs
O(H)4(H)(0256)712294

FOR SALE LOCATED IN ATHENS. Dodge Winnebago Mobile Home. 1974 Model. Sleeps 6. Low mileage, excellent condition, recently overhauled, air-conditioning, icebox, shower, toilet, galley. Ideal for Middle East. Contact Alan Walker, Phone UK 0786 2793, Telex 777663 for viewing. Offers over £20,000.

FOR SALE. New Volvo 264 GLE Saloon, Manual with overdrive, air-conditioning, electric windows sun roof. Light green metallic. Immediate delivery. Chelmhill Motors Ltd., Aylesbury 5344 or 20014.

RAM 30 on 1973 Stag Automatic. Reconditioned Engine. Radio/Stereo. His Tops. £2,750.00
1966 MORRIS MINOR 1000 4-door De Luxe. One lady owner. 23,000 miles. Perfect £1,500.00
John Dangerfield Sports Cars
Bristol 566373

LEGAL NOTICES

No. 001933 of 1978

In the HIGH COURT OF JUSTICE Chancery Division Companies Court. In the Matter of GILBERT & SEA... LIMITED and in the Matter of COMPANIES ACT, 1948.

NOTICE IS HEREBY GIVEN, that a Petition for the Winding up of the above-named Company by the High Court of Justice was on the 10th day of ... 1978, presented to the said Court by XTRA (U.K. LEASING) LIMITED whose registered office is situate at: N... House, Ongar Road, Brentwood, E... Leasers of Trailer Equipment, and that the said Petition is directed to be heard before the Court sitting at the Royal Courts of Justice, Strand, London, WC2A 2LL on the 24th day of July 1978, and any creditor or contributory of the said Company desirous to support or oppose the making of an Order on the said Petition may appear at the time of hearing, in person or by his counsel for that purpose; and a copy of the Petition will be furnished by the undersigned to any creditor or contributory of the said Company requiring such copy on payment of the regulated charge for the same.

BRABY & WALLER,
2/3, Hind Court,
Fleet Street,
London, E.C.4.
Ref.: F/TTH. Tel.: 01-353 ...
Solicitors for the Petitioner.

NOTE—Any person who intends to appear on the hearing of the said Petition must serve on, or send by post to, the above-named notice in writing of his intention so to do. The notice must state the name and address of the person, or, if a firm the name and address of the firm and must be signed by the person or firm, or his or their solicitor (if any) and must be served, or, if posted, must be sent by post in sufficient time to reach the above-named not later than four o'clock in the afternoon of the 21st day of July 1978.

No. 001988 of 1978

In the HIGH COURT OF JUSTICE Chancery Division Companies Court. In the Matter of THAMESDALE (BUILDING CONTRACTORS) LIMITED and in the Matter of THE COMPANIES ACT, 1948.

NOTICE IS HEREBY GIVEN, that a Petition for the Winding up of the above-named Company by the High Court of Justice was on the 20th day of ... 1978, presented to the said Court by ... PERKINS LIMITED whose registered office is situate at: Cobtree House, ... Road, Aylesford, Maidstone, Kent, Timber Merchants, and that the said Petition is directed to be heard before the Court sitting at the Royal Courts of Justice, Strand, London, WC2A 2LL, on the ... day of July 1978, and any creditor or contributory of the said Company desirous to support or oppose the making of an Order on the said Petition may appear at the time of hearing, in person or by his counsel, for that purpose; and a copy of the Petition will be furnished by the undersigned to any creditor or contributory of the said Company requiring such copy on payment of the regulated charge for the same.

BRABY & WALLER,
2/3, Hind Court,
Fleet Street,
London, E.C.4.
Ref: F/TTH. Tel: 01-353 ...
Solicitors for the Petitioner.

NOTE—Any person who intends to appear on the hearing of the said Petition must serve on, or send by post to, the above-named notice in writing of his intention so to do. The notice must state the name and address of the person, or, if a firm the name and address of the firm and must be signed by the person or firm, or his or their solicitor (if any) and must be served, or, if posted, must be sent by post in sufficient time to reach the above-named not later than four o'clock in the afternoon of the 21st day of July 1978.

INSURANCE, PROPERTY, BONDS

AUTHORISED UNIT TRUSTS

OFFSHORE AND OVERSEAS FUNDS

Equity & Law Life Ass. Soc. Ltd.♥
Amersham Road, High Wycombe 0494 33377

Equity Fd.	118.9	125.1	-0.1	—
Property Fd.	105.9	111.4	.....	—
Fixed Interest F.	106.4	112.0	+0.1	—
Gtd. Deposit Fd.	98.9	104.1	.....	—
Mixed Fd.	108.7	114.4	.....	—

Nelex Gth Inc Acc.	47.6	50.1	-1.5	—
Nelex Gth Inc Cap.	48.6	51.1	-1.5	—
Nel Mxd. Fd. Cap.	47.9	50.4	+0.1	—
Nel Mxd. Fd. Acc.	48.6	51.1	+0.4	—

Next Sub. day June 23.

For New Court Property see under Rothschild Asset Management

FINANCIAL TIMES STOCK INDICES

	June 23	June 22	June 21	June 20	June 19	June 16	A year ago
Government Secs.	69.21	69.69	69.76	69.74	69.94	70.44	67.98
Fixed Interest	71.62	71.93	72.00	72.00	72.29	72.52	68.01
Industrial Ordinary	455.3	452.7	455.6	463.4	467.0	470.6	449.6
Gold Mines	161.5	161.0	164.8	164.2	160.1	157.9	110.9
Ord. Div. Yield	5.79	5.84	5.80	5.75	5.66	5.62	5.23
Earnings Yld.% (full)	16.74	16.86	16.75	16.48	16.31	16.39	15.79
P/E Ratio (net) (*)	8.01	7.94	7.99	8.18	8.23	8.16	9.23
Dealings marked	4,436	4,898	5,057	4,771	4,480	4,241	4,436
Equity turnover £m.	—	85.39	67.88	56.94	56.12	64.88	64.68
Equity bargains total	—	14,513	13,256	14,528	13,384	13,906	14,275

10 am 454.2. 11 am 453.1. Noon 453.7. 1 pm 454.6.
2 pm 455.5. 3 pm 455.3.
Latest Index 01-246 8026.
* Based on 52 per cent corporation tax. † Nil=7.85.
Basis 100 Govt. Secs. 15/10/26. Fixed Int. 1928. Ind. Ord. 1/7/35. Gold Mines 12/9/55. SE Activity July-Dec. 1942.

HIGHS AND LOWS

	1978 High	1978 Low	Since Compilation High	Since Compilation Low
Govt. Secs.	78.58 (4/1)	68.79 (5/6)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int.	81.27 (4/1)	70.73 (6/6)	150.4 (28/11/47)	50.53 (3/1/75)
Ind. Ord.	497.3 [illegible]	433.4 (2/3)	549.2 (14/9/77)	49.4 (26/6/40)
Gold Mines	168.6 [illegible]	130.3 [illegible]	442.3 (22/5/75)	43.5 (26/10/71)

S.E. ACTIVITY

	June 23	June 22
—Daily		
Gilt-Edged	132.6	142.5
Industries	151.5	177.1
Speculative	39.7	46.1
Totals	101.0	111.5
5-day Av'rage		
Gilt-Edged	152.1	156.0
Industries	165.8	165.9
Speculative	39.9	39.4
Totals	107.8	106.7

FT—ACTUARIES INDICES

	June 23	June 22	June 21	June 20	June 19	June 16	A Year ago
[illegible]	204.46	204.01	205.80	208.27	209.86	210.99	178.67
[illegible] Group	227.51	226.48	228.22	230.70	233.35	233.73	205.12
[illegible]	5.59	5.62	5.57	5.51	5.47	5.44	5.56
[illegible]	7.84	7.79	7.86	7.96	8.00	8.04	8.93
[illegible]	209.55	206.86	210.69	212.95	214.76	215.94	186.72

NOTES

Prices do not include $ premium, except where indicated ♦ and are in pence unless otherwise indicated. Yields % shown in last column allow for all buying expenses. a Offered prices include all expenses. b To-day's prices. c Yield based on offer price. d Estimated. g To-day's opening price. h Distribution free of U.K. taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ♥ Net of tax on realised capital gains unless indicated by ♦. ¶ Guernsey gross. § Suspended. ♦ Yield before Jersey tax. † Ex-subdivision.

CORAL INDEX: Close 454-459

INSURANCE BASE RATES

† Property Growth ..... [illegible]%
† Vanbrugh Guaranteed ..... 9.[illegible]%
† Address shown under Insurance and Property Bond Table

FT SHARE INFORMATION SERVICE

BONDS & RAILS—Cont.

Interest Due		Stock	Price £	Last xd	Div % Gross	Red. Yield
10J	10J	Ireland 7½pc '81-83	83xd	12.6	7½	11.96
1M	1S	Do 9¾pc '91-96	80¾	15.2	9¾	12.94
1J	1J	Japan 4pc '10 Ass.	365xd	1.6	—	—
30J	31D	Do 6pc '83-88	71½	3.1	6	11.10
1A	1O	Peru Ass. 3pc	155	3.4	3	1.95
30J	31D	S.G.I. 6½pc 1980	75p	3.1	6½	8.67
May 1		Turin 9pc 1991	$94½	2.5	9	9.52
15A	15O	Turin 6½pc 1984	DM91	17.4	6½	10.70
1F.M.A.N.		Uruguay 3½pc	96	2.5	3½	3.90

U.S. $ & DM prices exclude inv. $ premium

**BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Five to Fifteen Years

Over Fifteen Years

Undated

**INTERNATIONAL BANK

**CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

Interest Due		Stock	Price £	Last xd	Div % Gross	Red. Yield
—		Antofagasta Rly.	20½	8.71	—	—
1J	1J	Do. 5pc Pref.	34½xd	30.5	—	—
1J	1J	Chilean Mixed	98	3.1	3	£3.10
1J	1D	German Yng. 4½pc.	405xd	1.6	4½	—
1M	1N	Greek 7pc Ass.	54	2.5	3½	£6.48
1F	1A	Do 6pc 28 Stab. Ass.	51	1.2	6	£6.00
1A	1O	Do 4pc Mixed Ass.	43	3.4	4	£4.76
May 1		Hung. '24 Ass.	55	2.5	4½	5.00
30J	31D	Iceland 6½pc '83-88	65xd	30.5	—	12.60

AMERICANS

CANADIANS

S.E. List Premium 30¾% (based on $2.0787 per £)

BANKS AND HIRE PURCHASE

BANKS & HP—Continued

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ENGINEERING—Continued

FOOD, GROCERIES, ETC.

FOOD, GROCERIES—Cont.

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INTERNATIONAL AND BRITISH OFFICES

EDITORIAL OFFICES

Amsterdam: P.O. Box 1296, Amsterdam-C. Telex 12171 Tel: 240 555

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Motors and Cycles

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

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[illegible]

TOBACCOS

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INV. TRUSTS—Continued

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Finance, Land, etc.

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FINANCE, LAND—Continued

[illegible]

OILS

[illegible]

OVERSEAS TRADERS

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RUBBERS AND SISALS

[illegible]

TEAS

India and Bangladesh

[illegible]

Sri Lanka

[illegible]

Africa

[illegible]

MINES

CENTRAL RAND

[illegible]

EASTERN RAND

[illegible]

FAR WEST RAND

[illegible]

O.F.S.

[illegible]

FINANCE

[illegible]

DIAMOND AND PLATINUM

[illegible]

MINES—Continued

CENTRAL AFRICAN

[illegible]

AUSTRALIAN

[illegible]

TINS

[illegible]

COPPER

[illegible]

MISCELLANEOUS

Aug. Feb.	Cons. Murch. 10c	245	31	†Q30c	2.6	‡
November	Northgate C$1	395	30.9	—	—	—
Jan. June	R.T.Z.	221	25	9.5	2.8	6.5
—	Sabina Inds. C$1	62	—	—	—	—
—	Tara Exptn. $1	£10¾	—	—	—	—
Nov. July	Tehidy Minerals 10p	43	25	1.33	ф	4.7
October	Yukon Cons. C$1	180	15.9	Q7c	2.9	1.8

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on the basis of net distribution; bracketed figures indicate 10 per cent. or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution. Yields are based on middle prices, are gross, adjusted to ACT of 34 per cent. and allow for value of declared distributions and rights. Securities with denominations other than sterling are quoted inclusive of the investment dollar premium.

- Δ Sterling denominated securities which include investment dollar premium.
- ● "Tap" Stock.
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ф Figures or report awaited.
- †† Unlisted security.
- ¢ Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ** Free of Stamp Duty.
- ♦ Merger bid or reorganisation in progress.
- ‡ Not comparable.
- ♠ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ♥ Excluding a final dividend declaration.
- ♣ Regional price.
- ‖ No par value.

a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. r Australian currency. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Tax free up to 30p in the £. w Yield allows for currency clause. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. D Cover and P/E ratio exclude profits of U.K. aerospace subsidiaries. E Issue price. F Dividend and yield based on prospectus or other official estimates for 1977-78. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1976-77. K Figures based on prospectus or other official estimates for 1978. M Dividend and yield based on prospectus or other official estimates for 1978. N Dividend and yield based on prospectus or other official estimates for 1979. P Dividend and yield based on prospectus or other official estimates for 1977. Q Gross. T Figures assumed. U No significant Corporation Tax payable. Z Dividend total to date. ¶¶ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

"Recent Issues" and "Rights" Page 37

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £400 per annum for each security

REGIONAL MARKETS

The following is a selection of London quotations of shares previously listed only in regional markets. Prices of Irish issues, most of which are not officially listed in London, are as quoted on the Irish exchange.

Albany Inv. 20p	23	......
Ash Spinning	45	......
Bertam	22	......
Bdg'wtr. Est. 50p	267	−3
Clover Croft	26	......
Craig & Rose £1	445xd	......
Dyson (R. A.) A	37	......
Ellis & McHdy	61	......
Evered	18	......
Fife Forge	50	......
Finlay Pkg. 5p	24	......
Graig Ship. £1	154	......
Higsons Brew	78	......
I.O.M. Stm. £1	150	......
Holt (Jos.) 25p	263	......
N'thn. Goldsmith	55	......
Pearce (C. H.)	165	......
Peel Mills	20	......
Sheffield Brick	45	......
Sheff. Refrshmt.	52	......
Sindall (Wm.)	100	......

IRISH

Conv. 9% '80/82	£90½	......
Alliance Gas	73	......
Arnott	340xd	......
Carroll (P.J.)	96xd	+4
Clondalkin	97	−2
Concrete Prods.	130	......
Heiton (Hldgs.)	44	......
Ins. Corp.	148	......
Irish Ropes	130	......
Jacob	65	......
Sunbeam	30	......
T.M.G.	170	......
Unidare	90	......

OPTIONS
3-month Call Rates

Industrials	
A. Brew	6½
A.P. Cement	18
B.S.R.	9
Babcock	11
Barclays Bank	25
Beecham	35
Boots Drug	15
Bowaters	16
B.A.T.	24
British Oxygen	6
Brown (J.)	20
Burton 'A'	12
Cadburys	5
Courtaulds	10
Debenhams	8
Distillers	15
Dunlop	7
Eagle Star	11
E.M.I.	14
Gen. Accident	17
Gen. Electric	18
Glaxo	40
Grand Met	9
G.U.S. 'A'	20
Guardian	18
G.K.N.	22
Hawker Sidd	20
House of Fraser	12
I.C.I.	20
"Imps"	6
I.C.L.	20
Inveresk	8
KCA	3
Ladbroke	17
Legal & Gen.	14
Lex Service	7
Lloyds Bank	22
"Lofs"	4
London Brick	5
Lonrho	5
Lucas Inds.	25
Lyons (J.)	10
"Mams"	7
Mrks. & Spncr	10
Midland Bank	25
N.E.I.	12
Nat. West. Bank	22
Do. Warrants	10
P & O Dfd.	8
Plessey	8
R.H.M.	5
Rank Org. 'A'	18
Reed Intnl.	12
Spillers	3
Tesco	4
Thorn	22
Trust Houses	15
Tube Invest.	30
Unilever	35
Utd. Drapery	7½
Vickers	15
Woolworths	5
Property	
Brit. Land	3¾
Cap. Counties	4½
E.P.	5
Intereuropean	4
Land Secs.	16
MEPC	12
Peachey	8
Samuel Props.	9
Town & City	1¼
Oils	
Brit. Petroleum	45
Burmah Oil	5
Charterhall	3
Shell	28
Ultramar	20
Mines	
Charter Cons.	12
Cons. Gold	14
Rio T. Zinc	16

FINANCIAL TIMES

Monday June 26 1978

Executive salaries in UK 'buying less'

BY JASON CRISP

THE SALARIES of Britain's executives have a lower purchasing power than almost all their colleagues in other industrial countries and it is getting worse, according to a survey published today by Employment Conditions Abroad.

By comparison with 11 other countries the purchasing power of the UK executive's salary has fallen 10 per cent in the year up until the end of March.

This, according to the survey, was because the comparatively higher rate of inflation in the UK and the hardening of sterling had reduced the advantage of Britain's relatively low cost of living.

The most recent tax cuts would reduce this decline to 6 per cent, says Employment Conditions.

The survey compares the salaries by job description in a number of companies in each country and translates them into sterling.

The widest gap between the UK and other countries is where the salaries are measured in gross terms. Surprisingly it is less wide after tax, implying a lower tax on income in the UK than elsewhere. Employment Conditions explains this by saying overseas executives are paid around twice their UK equivalent and are, therefore, eligible to pay more tax.

The gap is least wide when measured in terms of purchasing power because Britain still has a lower cost of living than most of the countries surveyed.

The survey says that the reason the UK's position in the table has not improved in spite of a less strict incomes policy, a reduction in income tax rates and lower inflation, is because "some or all of these improvements have occurred in other countries."

Employment Conditions Abroad is an independent non-profit-making organisation established by a number of major UK companies to monitor overseas earnings.

The 1978 Inter-country Remuneration Report is available from Employment Conditions Abroad, Devonshire House, 13 Devonshire Street, London W1N 1FS.

EXECUTIVE SALARIES COMPARISONS

	Gross Pay £	Net After Tax £	What That Buys £	Gross Pay £	Net After Tax £	What That Buys £
U.K.	8,700	6,450	6,450	12,100	8,145	8,145
OTHER COUNTRIES						
Australia	15,087	10,435	9,317	20,688	12,981	11,591
Belgium	27,272	17,432	11,621	40,085	22,619	15,079
France	21,172	17,836	12,301	29,641	23,781	16,400
Netherlands	23,876	14,392	9,407	34,000	17,866	11,677
Spain	15,878	11,390	10,079	22,793	14,610	12,929
Sweden	19,097	8,078	5,689	25,602	9,015	6,349
Switzerland	31,237	22,613	12,157	43,775	29,520	15,871
U.S.	22,143	14,670	13,840	30,385	17,967	16,950
W. Germany	27,910	18,865	11,718	38,232	24,010	14,913

Further rises in U.S. interest rates forecast

BY STEWART FLEMING NEW YORK, June 25

FURTHER INCREASES in short-term interest rates in the U.S., including a possible rise to 9 per cent in commercial bank prime lending rates this week, are being predicted on Wall Street. The forecasts are based in part on the strength of credit demands in the economy but also on the evidence of growing concern at the Federal Reserve Board about the surge in the growth of the U.S. money supply in recent months.

The minutes of the May meeting of the Federal Open Market Committee (FOMC) which decides on Fed monetary policy disclosed that on June 16, only four days before the regular June meeting of the FOMC, a special "consultation" of the committee was held because of concern about the growth of money supply. The minutes were released to the public last Friday.

In the wake of the June meeting last week it became clear that the Fed had indeed tightened monetary policy raising its target for Federal funds reserve banks lend each other from around 7½ per cent to 7¾ per cent.

Now money market economists such as Dr. Henry Kaufman of Salomon Brothers point out that such a small rise in the Fed funds rate has historically tended to be followed by another increase. Mr. Alan Lerner, senior vice-president of Bankers Trust, points out that so slight an increase as has already occurred will do little to check the growth of money supply.

Over the past six months money supply on the narrow M1 definition has been growing at 8 per cent, well above the upper end of the Federal Reserve's long-term target of 6½ per cent.

Monetary policy is based in part on the evidence that too rapid a growth of the money supply tends to intensify inflation.

Even if the Fed does not tighten credit policy further, however, demands for credit in the U.S. economy are now so strong that this alone could force rates higher. Dr. Kaufman points out that in its latest move the Fed does not seem to be leading market rates up but seems to be following them.

On Friday of this week the money market will be watching to see if Citibank raises its prime rate. Only a slight firming of commercial paper interest rates is now needed to ensure that the formula Citibank uses to trigger a prime rate increase indicates a rise. But it is possible that another major bank could lead the way earlier.

THE LEX COLUMN

The belt tightens for companies

The company sector has been passing through one of its more financially relaxed periods. It emerges from recent official statistics that in the first quarter of the year companies built up their liquidity to unusually high levels: according to the survey by the Department of Industry of 228 large companies, current assets were 132 per cent of current liabilities, a higher ratio than the previous peak in late 1972 and early 1973. Companies, in fact, were sufficiently flush with funds and impressed by the dearness of sterling to indulge in a little stockpiling of imported raw materials.

Change in trend

Since the end of the first quarter, however, there have been tentative signs of a change of trend in the company sector. The sharp rise in the level of interest rates and the noticeable increase in bank lending to the private sector tend to be discussed in the City in mainly technical or political terms, but they also reflect shifts within the real economy. Meanwhile the fluctuations in the inflation rate, the sharp jump in wage levels and the pick-up in gross domestic product all have important implications for company finances. Against this background the equity market has been finding the going increasingly hard.

During 1977 the financial trends were unusually favourable for the company sector. Although profits of industrial and commercial companies were not particularly strong on a reported historical cost basis—gross trading profits before stock appreciation rose by some 13 per cent—the gain was more like 40 per cent net of stock appreciation.

Output was sluggish, and the strength of sterling ate into export and overseas profits. But in the domestic market, wholesale prices of manufactured goods rose by just over 15 per cent while wage earnings increased 10.6 per cent and raw material costs actually fell fractionally. Meanwhile the extra cash invested in stocks by manufacturers and distributors dropped from £1.9bn in the first quarter to £0.7bn in October-December. This was enough to allow the industrial and commercial company sector to swing up out of deficit into rough financial balance during the second half of 1977.

By the first quarter of this year industrial and commercial company profits appear to have been coming under slight pressure (though detailed official figures are not yet available). Wholesale prices were up only about 12½ per cent on a year earlier, while wage costs were accelerating a little. But the increase in the book value of stocks eased further—to £560m—and the £2.8bn spent on additions to fixed capital was no higher than the average in the two previous quarters. In these conditions industry was able to build its liquidity further.

What has happened since then, however, is that costs have begun to accelerate while output prices have continued to rise at a very moderate rate (under 10 per cent during the year to May). The 15 per cent year-on-year gain shown by the earnings index for April may reflect bunching and backdating, but this is still a cost to be borne. The raw materials index, moreover, jumped by 5½ per cent in the three months to May, though the index should be steadier now that sterling has stabilised.

The implication of these cost/price patterns is that the amount industry is investing in its stocks is now rising again, while revenues are still quite sluggish. There is also, however, an improvement in output levels which will have some effect in holding down unit costs.

Stock appreciation

Essentially the squeeze will be on real profit margins. Conventional reported profits include the stock appreciation element, and so company profits could well improve through the year, particularly in those areas exposed to the rather patchy consumer boom which is being experienced. In cash terms, however, companies are likely to find trading conditions less favourable. The Bank of England Bulletin last week considered that "the company sector's financial position is likely to weaken during the year."

The quarterly analysis of bank advances published today by the Bank of England shows that the underlying trend of sterling advances to UK residents between February and May was some £1,500m, nearly twice as much as in the previous quarter. Advances to manufacturers were quite small within this total—which may indicate lending to the service sector and persons, probably boosted by window dressing ahead of the imposition of the corset. But manufacturers are now likely to become more prominent borrowers.

The corset

In this context the corset is unfortunate, but at least it applies by and large to institutions with liquidity to run down, and more into deficit by the company sector is quite normal at this stage of an economic cycle. The degree of cash squeeze will depend on how long prices continue to lag behind costs, and on whether the Commission was anticipating some acceleration of wholesale prices towards the end of the year. Nevertheless, for such conditions financial markets are likely to come under pressure for a time to time.

And what gives extra cause for concern is the proposed increase in the National Insurance surcharge, raising a hoped £0.5bn this financial year and £1.5bn in 1979-80. As latest quarterly review of cyclical indicators from the Confederation points out, manufacturers in general direct reduction in profitability can be confidently predicted. Worst affected are the labour intensive manufacturers, goods for export.

In the current financial year the yield from the National Insurance surcharge will be about half the corporation tax. Next year the proportion could well be higher. The hidden danger in taxing the corporate sector in this fashion is that the surcharge is not fiscal drag proofed in the way corporation tax has come to be thanks to stock relief.

The Chancellor has argued that the increase of over £1 in the liquidity of large companies in the six months before the Budget makes them able to pay. But that is hardly imposed in October; at a time when corporate liquidity is likely to be in cyclical decline.

Bank loans to private sector show rise

By Michael Blanden

THE RENEWED upsurge in bank lending to the U.K. private sector, which was one of the main reasons for the recent official measures to control the growth of the money supply, is confirmed today by the latest breakdown of bank loans published by the Bank of England.

In the three months to mid-May, the underlying increase, after allowing for seasonal influences, appears to have been about £1.5bn. This was nearly double the rise recorded in the previous three months.

The figures confirm the evidence already available from the monthly banking statistics that the rise in lending has been mainly concentrated outside the manufacturing sector.

The demand for funds by manufacturing industry however, may be understated because of the substantial amount of resources which has been made available through leasing operations and which are only indirectly reflected in the figures.

Seasonal

The quarterly analysis shows that during the three-month period sterling advances to UK residents on an unadjusted basis rose by £1.23bn compared with £1.16bn in the pervious period. All but about £50m in each period went to the private sector.

In the February to May period, however, seasonal factors may have depressed the total by about £350m, where as in the previous three months the seasonal factors were the other way.

Two main sectors accounted for the bulk of the unadjusted increase. These were services, which took £692m, and personal borrowers with £278m. These represented rises of 9 per cent and 6 per cent respectively.

Lending to manufacturing industry rose by only £52m, or 1 per cent. But this was after including a fall of £150m under the vehicles category reflecting repayments of borrowing by British Leyland after its recent rights issue.

Services

Advances to other manufacturing categories rose by £202m, or 3 per cent. There were notable increases in food, drink and tobacco (£62m or 5 per cent) and textiles (£53m or 8 per cent).

Within the services sector significant rises were recorded by retail and other distribution—up £302m or 10 per cent—and local government—up £112m or 35 per cent.

The miscellaneous category, which includes leasing companies and the motor trade, showed a rise of £210m or 7 per cent.

In the 12 months to mid-May sterling advances to UK residents increased by £4.35bn, or 17 per cent. Manufacturing industry went up by £997m (15 per cent) of which £406m was accounted for by electrical and other engineering and £118m by food, drink and tobacco.

Advances to the miscellaneous services group rose over the year by £697m (27 per cent), to agriculture, forestry and fishing by £403m (33 per cent) and to the personal sector, other than for house purchase, by £703m (24 per cent). Advances to property companies dropped by 10 per cent.

Overtime level at five-year peak as upturn starts

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

OVERTIME working in manufacturing industry is now at the highest level since the summer of 1974 as a result of the recent upturn in economic activity.

This will be confirmed by new figures to be published on Thursday in the Department of Employment's monthly Gazette. Evidence of the impact on employment and the labour market generally of the recent rise in output is also expected to be included.

Mr. Denis Healey, the Chancellor of the Exchequer, told a Commons select committee last week that overtime working had increased by 5 per cent in the last three months compared with the previous quarter.

The official figures later this week will highlight this underlying increase which, along the buoyant level of retail sales, is an important indicator of the marked recovery in economic activity now under way, with total output probably rising at an annual rate of at least 3 per cent.

The monthly average of overtime hours worked of about 16.2m in manufacturing in the February-to-April period is more than a quarter higher than at the low point of the cycle in autumn 1975.

The increase in overtime working reflects the usual response of companies to an upturn in demand—they increase the use of the existing labour force before starting to take on large numbers of extra workers.

Nevertheless, month-to-month fluctuations are expected to be reflected in the new figures since the April total for overtime hours worked, on a seasonally-adjusted basis, is likely to be slightly lower than in March, but much higher than at the end of last year.

The April total of those with jobs in production industries—just over two-fifths of all employees—will also be published in the Gazette. There will be close interest to see whether the fractional rise in the first three months of the year has continued or accelerated. The March total of 9.12m, seasonally-adjusted, was less than the figure between February and September of 1977.

The overall level of employment has been flat since last summer and there has been puzzlement in Whitehall about the contrast between these figures and the steady fall in unemployment, for nine successive months, and the increase in notified vacancies.

More doubts cast on North Sea aid

BY RAY DAFTER, ENERGY CORRESPONDENT

THE LIKELY help that the UK economy will receive from offshore oil and gas production this year has been further downgraded in a new North Sea report published today.

Presenting the most pessimistic view so far published of this year's economic impact of North Sea production, stockbrokers Wood Mackenzie said that the contribution to the UK current account was likely to be £1.5bn rather than the £2.7bn forecast in their December report. This month brokers Phillips and Drew downgraded their February forecast from £2.2bn to £1.7bn.

Taking Wood, Mackenzie's figures, at least half of the cut is seen as a result of disappointing production levels. Latest Government figures show that North Sea oilfields are now producing crude at the rate of about 1m barrels a day, equivalent to about half of the country's rate of oil consumption. But the pace of the build-up at present is slower than previously forecast, although the Department of Energy still expects energy self-sufficiency to be attained in 1980.

Wood, Mackenzie believes that the average production rate this year will be 1.19m b/d instead of the 1.3m b/d forecast in February.

Today's report points out that Occidental's Claymore Field production has built up more slowly than expected because of compressor problems, while British National Oil Corporation's Thistle Field did not begin yielding oil in commercial quantities until April instead of the expected start-up date of November 1977.

It was also unlikely that Occidental's Piper Field would reach an average output of 300,000 b/d this year, so Wood Mackenzie have estimated an average nearer 250,000 b/d.

Apart from a slower-than-expected build-up of oil production, the trade balance forecasts have been hit by higher costs and slightly higher import levels.

Even so, Wood Mackenzie expects the North Sea current account to stabilise in the £5bn to £6bn a year range during the early 1980s.

Figures produced this month by the Government's Central Statistical Office show that even with the revision of estimates, this year's contribution of the North Sea towards Britain's trading balance will be very much higher than last year's.

In 1977 the direct contribution to the current account was £907m as against deficits of £105m in 1976 and £546m in 1975. The net benefit to the current account in the first quarter of 1978 was estimated to be more than £450m, some £100m more than in the fourth quarter last year.

Oil companies silent on sanctions claim

BY BRIDGET BLOOM, AFRICA CORRESPONDENT

FRESH ALLEGATIONS that British and French oil companies continued to supply Rhodesia long after the imposition of UN mandatory sanctions received a tart "no comment" last night from the oil companies concerned—including BP and Shell—and the Foreign Offices in London and Paris.

The charges made by Sr. Jorge Jardim, former personal adviser to ex-President Salazar of Portugal, seem likely to increase speculation about the outcome of the Bingham inquiry into alleged breaches of oil sanctions.

All the British Foreign Office would say last night was that the Bingham report was in "its final stages of preparation," and that therefore no comment on detailed allegations of sanctions-breaking would be appropriate at this stage.

Dr. David Owen, the Foreign Secretary, announced in April 1977—only hours before his first visit to Africa and after tough African criticism of the Rhodesia role of British oil companies—that he would appoint an inquiry into alleged sanctions-breaking.

Mr. Thomas Bingham, QC, was appointed just over a year ago to conduct the inquiry. In recent weeks, the Foreign Office has counteracted questions concerning oil sanctions by declaring that the Bingham inquiry will soon be reporting to the Government, although apparently no date has been set for the submission of the report, and it is not clear yet whether the Government intends to publish it.

There is increasing scepticism in Africa about the Bingham inquiry, which, it is widely believed, was set up precisely to avoid difficult questions being asked about sanctions during what are considered to be delicate negotiations for a Rhodesian settlement.

The burden of Mr. Jardim's allegations, which were published in yesterday's Observer newspaper, is that Shell as well as other multi-national oil corporations continued to supply oil to Rhodesia after the introduction of mandatory sanctions in 1968 by using a circuitous route through their own and other oil company subsidiaries in South Africa.

Mr. Jardim's book specifically alleges that Shell's subsidiary in South Africa arranged to use Total, the marketing company of Compagnie Francaise des Petroles, to supply oil to Rhodesia.

● A British Petroleum spokesman said in London yesterday: "We have absolutely no comment to make. The situation is subject to the Bingham inquiry." Shell also refused to comment.

Similarly in Paris, M. René Granier de Lilliac, chairman of the Total Group, would neither confirm nor deny that his company was involved in covert oil supplies to Rhodesia. He said he was awaiting the outcome of the investigations into the company's operations in South Africa.

Total's parent company, Compagnie Française des Petroles, is 35 per cent State-owned. The French Foreign Ministry said it was unable to comment before examining the latest reports.

Lords urged to act on devolution

BY RUPERT CORNWELL, LOBBY STAFF

THE Tory-dominated House of Lords, which has treated the Government's Scottish devolution proposals with some restraint so far, was urged yesterday to dig in its heels and insist on its amendments to the Bill which are inadequately debated in the Commons.

The call, which if accepted could provoke a constitutional confrontation between the two Houses of Parliament, came from Mr. Francis Pym, Conservative spokesman on devolution and a vigorous opponent of the measure as it stands.

He praised the peers for their "careful and constructive" approach to the Scottish legislation—which receives its Third Reading in the Lords this week before returning to the Commons—and urged the Government to accept all the changes wrought by the Upper House—and thereby secure an improved Bill.

Mr. Pym, who was addressing a conference in Cambridge of the Left-leaning Tory Reform group, was winding up a discussion on possible constitutional reform, of which devolution (though not the Government's version of it), was an important part.

During his speech he dealt with the issue of Lords reform, bitterly attacked Labour for destroying the fragile institutional balance by bending Parliamentary rules for its own political ends, and spoke out sympathetically on proportional representation, an idea detested by Mrs. Thatcher, the Opposition leader.

Although PR was often oversold, he said, it could have the overriding merit of reflecting the basic unity of the people that was obscured by inter-party feuding at Westminster. "I would have liked the Conservative Party to have played a leading role in prompting thinking on this matter," he declared.

It would be pointless to "rush into" a detailed consideration of PR, since a large majority of MPs in both major parties opposed it, he said. But the gulf between Westminster and the people was one cause of the malfunctioning of Parliament.

Mr. Pym identified three main areas where the Lords had strengthened the Scotland Bill by their amendments, which will once again be subjected to the guillotine procedure to curtail debate when they go back to the Commons at the start of July.

Scope for conflict between Edinburgh and Westminster would be reduced, he said, while, secondly, unlike the Commons, the Lords had examined in full the list of subjects to be devolved, and made the changes it believed best. And thirdly, the peers had tackled the "central issues" of taxation powers, and the so-called "West Lothian" question.

This is the anomaly—described by Mr. Pym as the Bill's "central defect"—whereby a Bill affecting only England is carried with the aid of Scottish MPs who cannot vote on the subject for Scotland. So far it has not been properly discussed.

The Tory spokesman promised full backing for the partial solution proposed by the Peers, that for any measure passed in this fashion, there should be a fortnight's "thinking-over" period.

Over the Wales Bill, which has been much more violently savaged by the Lords, the Upper House won even more fulsome praise from Mr. Pym. He said that the Lords, in dealing with a measure that was no more than "a costly exercise in bureaucracy," had admirably fulfilled their watchdog function.

Weather

UK TODAY

COOL: rain in places.

London, SE and Cent. England, E Anglia, Channel Is.
Rain at first, sunny later. Max. 19C (66F).

E, Cent. N and SW England, Midlands
Mostly dry, sunny later. Max. 18C (64F).

Wales, NE and NW England, Lakes, I of Man, Borders, Edinburgh, Aberdeen, SW Scotland, Glasgow, Cent. Highlands, Moray Firth, Argyll, N Ireland
Mainly dry, sunny spells. Max. 17C (63F).

NE and NW Scotland, Orkney, Shetland
Cloudy. Drizzle on coasts. Max. 15C (59F).

Outlook: Mostly dry.

BUSINESS CENTRES

		Y'day Mid-day °C	°F			Y'day Mid-day °C	°F
Amsdm	C	12	54	Luxemb'g	F	12	54
Athens	S	28	82	Madrid	S	20	68
Bahrain	S	32	90	Manchestr	C	12	54
Barcelona	F	20	68	Melbourne	C	10	50
Beirut	S	21	70	Milan	F	22	72
Belfast	C	12	54	Montreal	S	22	72
Belgrade	S	27	81	Munich	C	11	52
Berlin	F	16	61	Newcastle	R	11	52
Brmghm	C	14	57	New York	S	25	77
Bristol	F	15	59	Oslo	F	17	63
Brussels	F	14	57	Paris	F	15	59
Budapest	F	21	70	Perth	C	15	59
B Aires	C	10	50	Prague	C	15	59
Cairo	S	32	90	Reykjavik	C	8	46
Cardiff	S	14	57	Rio de J'o	S	23	73
Chicago	C	24	75	Rome	S	25	77
Cologne	C	15	59	Singapore	R	29	84
Copnhagn	S	16	61	Stockholm	F	21	70
Dublin	C	13	55	Strasbrg	F	15	59
Edinburgh	C	16	61	Sydney	S	16	61
Frankfurt	F	14	57	Tehran	S	27	81
Geneva	F	14	57	Tel Aviv	S	28	82
Glasgow	C	14	57	Tokyo	C	27	81
Helsinki	F	22	72	Toronto	C	23	73
H. Kong	S	31	88	Vienna	F	18	64
Jo'burg	S	17	63	Warsaw	F	15	59
Lisbon	S	20	68	Zurich	F	12	54
London	F	17	63				

HOLIDAY RESORTS

		Y'day Mid-day °C	°F			Y'day Mid-day °C	°F
Ajaccio	F	23	73	Jersey	S	15	57
Algiers	S	27	81	Las Plms	S	22	72
Biarritz	F	17	63	Locarno	F	19	66
Blackpool	R	11	52	Luxor	S	38	100
Bordeaux	C	16	61	Majorca	F	25	77
Boulogne	C	14	57	Malaga	S	29	84
Casablnco	F	21	70	Malta	S	28	82
Cape Tn.	S	19	66	Nairobi	C	21	70
Corfu	S	29	84	Naples	F	25	77
Dubrovnik	S	24	75	Nice	S	22	72
Faro	S	22	72	Oporto	F	17	63
Florence	F	23	73	Rhodes	S	28	82
Funchal	C	20	68	Salzburg	R	10	50
Gibraltar	S	23	73	Tangier	S	21	70
Guernsey	S	13	55	Tenerife	F	17	63
Innsbruck	F	11	52	Tunis	S	29	84
Inverness	R	11	52	Valencia	F	25	77
Isle of Mn	C	11	52	Venice	F	20	68
Istanbul	S	28	82				

S—Sunny. F—Fair. C—Cloudy. R—Rain.

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